

SEI Investments (Europe) Ltd

**Annual Report and Financial Statements
for the year ended 31 December 2012**

Registered number: 3765319



SEI Investments (Europe) Ltd

Directors' report for the year ended 31 December 2012

Registered number: 3765319

The directors present their financial statements on the affairs of SEI Investments (Europe) Ltd ("the Company"), together with the independent auditors' report, for the year ended 31 December 2012

Principal activities and review of business

The principal activities of the Company are asset management and investment transaction processing services

The results and financial position at the year-end were considered satisfactory to the directors

Business review and future development

SEI Investments (Europe) Ltd continued to capitalise on three major trends in the global marketplace: privatisation of pension funds, increased wealth accumulation among affluent investors and the elimination of barriers to global investing. Using the same asset management disciplines that have benefited U S clients, the Company provides investment management programs tailored to the needs of institutional and affluent individual investors. The Company has its main office located in London. Both the level of business and the year end financial position were satisfactory and the directors expect an increased level of business activity in the future.

During the year, the Company issued 19,750,000 (2011: 20,000,000) ordinary shares at £1 each and the Company remains wholly controlled by the parent company, SEI Global Investments Corporation.

Foreign branches

The Company has sales offices located in Netherlands and United Arab Emirates.

Risk Factors

The directors believe that the risk and uncertainties described below are those that impose the greatest threat to the sustainability of the Company's business. However, there are other risks and uncertainties that exist that may be unknown or, in the present opinion of management, do not currently pose a material risk of harm to the Company. The risk and uncertainties facing the Company's business, including those described below, could materially adversely affect the Company's business, results of operations, financial condition and liquidity.

The Company's operations expose it to a variety of financial risks that include concentration risk, economic risk and operational risk.

Concentration risk – The Company has significant relationships with three clients. The loss of those clients could have a material effect on our financial position and results of operations. Due to the continued effort to maintain positive relationships with them, we do not foresee the loss of these clients.

Product development risk – The Global Wealth Platform is a technology platform that provides services targeted to independent wealth advisors. This is a new target market that the Company does not have a significant presence or knowledge. As a result, the Company is subject to product development risk, which may result in loss if the Company is unable to develop and deliver fully functional products and services that address clients' needs and reflect an attractive value proposition.

SEI Investments (Europe) Ltd

Directors' report for the year ended 31 December 2012 (continued)

Economic risk – The Company's revenues are earned as a percentage of the average assets under management which are subject to fluctuations due to volatility in the securities markets. A significant and prolonged market downturn would depress the revenues of the Company. In addition, the Company operates across different markets and currencies. Adverse movements in currency exchange may negatively affect the operating results, liquidity and financial condition of the Company. The Company's revenues account for less than five percent of SEI Investments Company (the Ultimate Parent) total revenue. Due to this reason, the Company does not hedge against foreign currency risk.

Operational risk – Operational risk generally refers to the risk of loss resulting from operations, including, but not limited to, improper or unauthorised execution and processing of transactions, deficiencies in operating systems, business disruptions and inadequacies or breaches in internal control processes. The Company is reliant on the ability of its employees and systems to process large volumes of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, the Company could suffer financial loss, regulatory sanctions or damage to its reputation. In order to mitigate and control operational risk, the Company continues to enhance its policies and procedures that are designated to identify and manage operational risk.

Financial Risk Management

The Company's business involves the acceptance and management of financial risk. The principal risks facing the Company are detailed below.

Credit risk – The Company has a number of debtor balances which relate mainly to fees and the risk in relation to this is mainly non payment of the fees. Fees and other balances due from clients are regularly reviewed and the potential impact considered.

Liquidity risk – Due to the Company's continued losses, the Company has a potential risk that adequate liquid funds will not be available to settle liabilities as they fall due, especially if the Company loses its support from the parent. The Directors of the Company have executed and approved a Subscription Agreement, dated 8 August 2012, in which SEI Investments Company, who controls the Company, will fund all on-going capital subscriptions necessary through 31 December 2015.

Results and dividends

The audited financial statements for the year ended 31 December 2012 are set out on pages 8 to 22. The loss for the financial year was £9,260,000 (2011: loss of £10,906,000).

The directors did not recommend any dividend payments to be made for the year (2011: nil).

Remuneration code disclosure

Our policy is designed to ensure that we comply with the FSA Remuneration Code disclosure ("RemCode") and our compensation arrangements:

- 1 are consistent with and promote sound and effective risk management,
- 2 do not encourage excessive risk taking,
- 3 include measures to avoid conflicts of interest, and
- 4 are in line with the Firm's business strategy, objectives, values and long-term interests

SEI Investments (Europe) Ltd

Directors' report for the year ended 31 December 2012 (continued)

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FSA have sought to apply proportionality in the first instance by categorising firms into 4 tiers. The Firm falls within the FSA's fourth proportionality tier and as such this disclosure is made in line with the requirements for a Tier 4 Firm.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

- The Firm's policy is in line with the RemCode principles laid down by the FSA.
- Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
- The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment. The Firm's ability to pay bonus is based on the performance and profitability of the Firm and then measured against individual targets designed to reward exceptional accomplishment.

Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the firm

Code Staff	Aggregate compensation expense in 2012 / fiscal year
Senior Management	£2,031,000
Other Code Staff	£1,779,000

Pillar 3

In accordance with the rules of the Financial Services Authority, the Company has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. This information is available on the Company's website (http://www.sei.com/docs/UK-Adviser/SEI-IEL_ICAPP_Document-Pilar-3-Disclosure.pdf)

Key Performance Indicators (KPI's)

Given the straight forward nature of the business, the directors are of the opinion that analysis using any KPI's is not necessary for an understanding of the development, performance or position of the business.

SEI Investments (Europe) Ltd

Directors' report for the year ended 31 December 2012 (continued)

Directors

The directors who served during the year and up to the date of this report were as follows

Patrick Disney
William Doran
Ahsan Mallick

Robert Nesher
Joseph Ujobai

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

SEI Investments (Europe) Ltd

Directors' report for the year ended 31 December 2012 (continued)


Third party indemnity

The Company maintains liability insurance for its directors and officers. Following shareholder approval the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

The qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

SEI Investments (Europe) Ltd
Forth Floor,
Time & Life Building
1 Bruton Street
London
W1J 6TL

On behalf of the Board,



Ahsan Mallick
Director
17 April 2013

SEI Investments (Europe) Ltd

Independent auditors' report to the members of SEI Investments (Europe) Ltd

We have audited the financial statements of SEI Investments (Europe) Ltd for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the financial year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

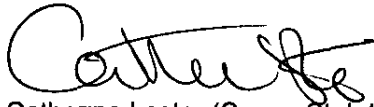
SEI Investments (Europe) Ltd

Independent auditors' report to the members of SEI Investments (Europe) Ltd (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Catherine Lester (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 April 2013

SEI Investments (Europe) Ltd

Profit and loss account

(all amounts rounded to the nearest thousand)

	Notes	Year ended 31 Dec 12 £	Year ended 31 Dec 11 £
Turnover	2	33,239,000	34,294,000
Cost of Sales		<u>(4,977,000)</u>	<u>(7,931,000)</u>
Gross Profit		28,262,000	26,363,000
Administrative Expenses		<u>(37,523,000)</u>	<u>(37,267,000)</u>
Operating loss	3	(9,261,000)	(10,904,000)
Other interest receivable and similar income	4	<u>37,000</u>	<u>28,000</u>
Loss on ordinary activities before taxation		(9,224,000)	(10,876,000)
Tax on loss on ordinary activities	5	<u>(36,000)</u>	<u>(30,000)</u>
Loss for the financial year		<u>(9,260,000)</u>	<u>(10,906,000)</u>

All activities derive from continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for both the current financial year and prior financial year stated above and their historical cost equivalents

The Company has no recognised gains or losses in either the current or prior years other than those included within the profit and loss account

The accompanying notes on pages 10 to 22 are an integral part of these financial statements

SEI Investments (Europe) Ltd

Balance sheet as at 31 December 2012

(all amounts rounded to the nearest thousand)

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	8	<u>529,000</u>	<u>77,000</u>
Current assets			
Debtors	9	20,582,000	15,479,000
Cash at bank and in hand		<u>25,357,000</u>	<u>16,745,000</u>
Total current assets		<u>45,939,000</u>	<u>32,224,000</u>
Creditors: Amounts falling due within one year	10	<u>(13,737,000)</u>	<u>(10,060,000)</u>
Net current assets		<u>32,202,000</u>	<u>22,164,000</u>
Total assets less current liabilities		<u>32,731,000</u>	<u>22,241,000</u>
Capital and reserves			
Called-up share capital	11	80,060,000	60,310,000
Profit and loss account	12	<u>(47,329,000)</u>	<u>(38,069,000)</u>
Total shareholders' funds	12	<u>32,731,000</u>	<u>22,241,000</u>

The financial statements on pages 8 to 22 were approved by the board of directors on 17 April 2013 and signed on its behalf by



Ahsan Mallick
Director

The accompanying notes on pages 10 to 22 are an integral part of these financial statements

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012

(all amounts rounded to the nearest thousand)

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

In the current year, collateral has been reclassified from restricted cash to debtors. The prior year figures have been adjusted for comparative purposes and there has been no impact on total assets or net assets in either year.

Going Concern

The Company's ultimate parent has confirmed its intention to provide financial support for at least another 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustments that would result if the going concern basis was not appropriate.

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement afforded by Financial Reporting Standard 1 (FRS 1, revised 1996) because it is a wholly-owned subsidiary of SEI Investments Company which prepares consolidated financial statements which are publicly available.

Turnover

Turnover represents the value of asset management services provided to its clients. Turnover is primarily based on a percentage of average assets under management and is recognized on an accrual basis.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Software	3 years
Office furniture	5 years
Leasehold improvements	5 years

Cash and cash equivalents

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

Deferred taxation

The Company applies FRS 19 'Deferred tax' to account for deferred taxation. The Standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The additional disclosures required by FRS 19 are provided in Note 5 to the Financial Statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Share Options

SEI Investments Company operates a share option scheme (1998 Equity Compensation Plan and 2007 Equity Compensation Plan) to its employees where employees of the Company can be awarded shares in SEI Investments Company (the ultimate parent company) in accordance with the share option scheme. Under FRS 20, this arrangement is accounted for as an equity settled, share-based compensation scheme for the employees of the company. In accordance with FRS 20, it is necessary to recognise the award of shares as an expense of the Company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, a revision is made to the estimate of the number of shares that are expected to vest. The impact of the revision, if any, is recognised in the profit and loss account, with a corresponding adjustment to liability.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

(all amounts rounded to the nearest thousand)

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2. Turnover

Turnover represents investment advisory services and Global Wealth services and is recognised on an accrual basis.

	2012 £	2011 £
Fees for advisory services	22,508,000	24,154,000
Global Wealth Services	10,731,000	10,140,000
Total Revenue	<u>33,239,000</u>	<u>34,294,000</u>

In 2012 and 2011, respectively, the Company derived approximately 57% and 55% of its investment advisory revenues from two clients. As of 31 December 2012 and 2011, the Company had outstanding receivables from these relationships of £2,692,000 and £2,561,000, respectively.

In 2012 and 2011, the Company derived approximately 51% and 76% of its Global Wealth Services revenue from one client. As of 31 December 2012 and 2011, the Company had outstanding receivables from this client of £994,000 and £2,883,000, respectively.

3. Operating loss

Operating loss is stated after charging

	2012 £	2011 £
Operating lease charges		
- Other	1,962,000	1,665,000
Depreciation and amortisation*	112,000	192,000
Exchange loss on foreign currency transactions	1,202,000	31,000
Change in allowance for doubtful accounts	21,000	(29,000)
Auditors remuneration for audit services	78,000	130,000
Other services pursuant to legislation	<u>70,000</u>	<u>13,000</u>

*The depreciation and amortisation expense includes £15,000 (2011: £119,000) of depreciation that is charged from SEI European Services Limited.

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

4. Other interest receivable and similar income

	2012 £	2011 £
Interest receivable on bank balances	37,000	28,000
	<u>37,000</u>	<u>28,000</u>

5. Tax on loss on ordinary activities

a Tax on loss on ordinary activities comprised

	2012 £	2011 £
UK Corporation tax on losses for period	-	-
Overseas taxes	36,000	30,000
Tax on loss on ordinary activities	<u>36,000</u>	<u>30,000</u>

The tax assessed for the period is higher (2012 higher) than the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below

Factors affecting tax charge for the year

	2012 £	2011 £
Loss on ordinary activities before taxation	<u>(9,224,000)</u>	<u>(10,876,000)</u>
Loss on ordinary activities multiplied by the UK standard corporation tax rate of 24.5% (2011 26.5%)	(2,260,000)	(2,882,000)
Effects of		
Expenses not deductible for tax purposes	240,000	248,000
Loan Relationships	(9,000)	(7,000)
Adjustments to tax charge in respect of prior years	(24,000)	(24,000)
Tax losses carried forward	2,053,000	2,665,000
UK current tax charge for the year	<u>-</u>	<u>-</u>
Overseas taxes	36,000	30,000
Current tax charge for the year	<u>36,000</u>	<u>30,000</u>

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

b Factors that may affect future tax charges

As of 31 December 2012, there is an unrecognised deferred tax asset from net operating loss, measured at the standard rate of 24.5% for £10,426,000 (2011: £8,545,000) and book tax difference on depreciation of 24.5% of £328,000 (2011: £245,000). These deferred tax assets relate to the current year and prior year unutilised expenses. It is considered uncertain when there will be a liability in the future against which the deferred tax asset can be offset. Therefore, the tax asset has not been recognised.

The standard rate of Corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for this accounting period are taxed at an effective tax rate of 24.5%.

6 Staff costs

The average monthly number of employees (including executive directors) during the years were

	2012	2011
Investment Management	10	11
Sales and Service	63	59
Operations and administration	125	103
	<u>198</u>	<u>173</u>

Their aggregate remuneration comprised

	2012 £	2011 £
Wages and salaries	17,284,000	15,184,000
Share-based compensation cost	479,000	573,000
Social security costs	2,647,000	2,314,000
Other pension costs (Note 13)	962,000	779,000
	<u>21,372,000</u>	<u>18,850,000</u>

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

(all amounts rounded to the nearest thousand)

7. Directors' remuneration and transactions

Remuneration

The remuneration of the directors included in staff costs above was as follows

	2012 £	2011 £
Emoluments	<u>682,000</u>	<u>716,000</u>
	<u>682,000</u>	<u>716,000</u>

Stock Options

The number of directors who exercised share options during the year was 4 (2011 nil) The highest paid director exercised options during 2012

Pensions

There were no directors who were members of pension schemes during the year (2011 nil)

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2012 £	2011 £
Emoluments	<u>347,000</u>	<u>430,000</u>
	<u>347,000</u>	<u>430,000</u>

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

(all amounts rounded to the nearest thousand)

8. Tangible fixed assets

	Computer equipment £	Software £	Leasehold improvements £	Office furniture £	Total £
Cost or valuation					
At 1 January 2012	504,000	17,000	6,000	584,000	1,111,000
Additions	268,000	46,000	134,000	101,000	549,000
Retirements	(45,000)	-	-	-	(45,000)
At 31 December 2012	<u>727,000</u>	<u>63,000</u>	<u>140,000</u>	<u>685,000</u>	<u>1,615,000</u>
Accumulated depreciation					
At 1 January 2012	447,000	17,000	-	570,000	1,034,000
Charge for the year	55,000	1,000	25,000	16,000	97,000
Retirements	(45,000)	-	-	-	(45,000)
At 31 December 2012	<u>457,000</u>	<u>18,000</u>	<u>25,000</u>	<u>586,000</u>	<u>1,086,000</u>
Net book value					
At 31 December 2011	<u>57,000</u>	<u>-</u>	<u>6,000</u>	<u>14,000</u>	<u>77,000</u>
At 31 December 2012	<u>270,000</u>	<u>45,000</u>	<u>115,000</u>	<u>99,000</u>	<u>529,000</u>

9. Debtors

	2012 £	2011 £
Trade debtors	15,471,000	11,115,000
Other debtors	3,320,000	3,400,000
Prepayments and accrued income	<u>1,791,000</u>	<u>964,000</u>
	<u>20,582,000</u>	<u>15,479,000</u>

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

10. Creditors: amounts falling due within one year

	2012 £	2011 £
Amounts owed to group undertakings	2,654,000	3,244,000
Other creditors including taxation and social security	1,024,000	784,000
Accruals and deferred income	10,059,000	6,032,000
	<u>13,737,000</u>	<u>10,060,000</u>

At 31 December 2012, the balance of the amounts owed to the parent had no formal repayment terms and is non-interest bearing

11. Called-up share capital

	2012 £	2011 £
<i>Authorised</i>		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
80,060,000 (2011: 60,310,000) ordinary shares of £1 each	<u>80,060,000</u>	<u>60,310,000</u>

During 2012, SIEL issued 5.0 million shares of its £1 par value common stock in exchange for forgiveness of £5 million of inter-company debt owed to the parent and issued an additional 14.75 million shares of its £1 par value common stock satisfied by the receipt of £14.75 million in cash by the Company.

On 26 April 2011 and 12 December 2011, the Company issued 10,000,000 and 10,000,000 shares respectively of £1 each in exchange for forgiveness of intercompany debt to the parent for £10,000,000 and £10,000,000 respectively.

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

12. Reconciliation of movements of shareholders' funds

	2012 £	2011 £
Loss for the financial year	(9,260,000)	(10,906,000)
Issue of ordinary share capital	19,750,000	20,000,000
Net addition to shareholders' funds	10,490,000	9,094,000
Opening shareholders' funds	22,241,000	13,147,000
Closing shareholders' funds	32,731,000	22,241,000

	Called up share capital £	Profit and loss Account £	Total equity shareholders Funds £
At 1 January 2012	60,310,000	(38,069,000)	22,241,000
Loss for the financial year	-	(9,260,000)	(9,260,000)
Issue of ordinary share capital	19,750,000	-	19,750,000
At 31 December 2012	80,060,000	(47,329,000)	32,731,000

13. Pension arrangements

The Company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £962,000 (2011 £779,000)

At 31 December 2012, there were no prepaid or accrued defined contribution charges on the Balance Sheet

14. Stock-based compensation

Following completion of eligibility requirements, the Company's employees are able to participate in a SEI employee stock purchase plan. The plan provides for offering of common stock to eligible employees at a price equal to 85% of the fair value at the end of the stock purchase period, as defined.

The Company's employees participate in the SEI stock option plans. Stock options are granted with an exercise price equal to the fair market value of SEI's common stock on the date of the grant and expire ten years from the date of grant. Stock options granted have performance vesting conditions based on the attainment of certain earnings per share targets established at the date of the grant. Earnings per share targets are calculated exclusively of stock-based compensation expense net of tax. The first performance condition determines vesting of 50 percent of the options, and a second performance condition determines the vesting of the remaining 50 percent of the options. The

SEI Investments (Europe) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

performance conditions are measured annually on December 31. Options granted prior to 2006 can also vest in their entirety seven years from the date of grant.

SEI uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the price of the SEI Investments Company's common stock as well as other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock exercise behaviors, risk-free interest rate and expected dividends. SEI uses historical data to estimate the variables used in the option-pricing model. SEI estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from the initial estimates. SEI uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. Stock-based compensation is amortised over the requisite service periods of the awards, which are generally the vesting periods. The amount of stock-based compensation expense that is recognised in a given period is dependent upon management's estimate of when the earnings per share targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed.

SEI's common stock is traded in the United States of America, therefore all values of the share prices quoted below are stated in the currency of the stock traded.

The weighted average fair values of SEI's stock options granted during 2012 and 2011 were \$6.73 and \$5.70, respectively, using the following assumptions:

	2012	2011
Expected term (in years)	6.75	7.65
Expected volatility	34.90 %	40.43 %
Expected dividend yield	1.46 %	1.9 %
Risk-free interest rate	1.03 %	1.66 %

The Company recognised £479,000 (\$766,000) of stock-based compensation expense in 2012 and £573,000 (\$913,000) in 2011, which is reflected in the Profit and Loss account for the respective years. As of 31 December 2012, there was approximately £1,212,000 (\$1,969,000) converted at the GBP – USD spot rate of 1.6247 as of 31 December 2012, of unrecognised compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options. The Company estimates that compensation cost will be recognised according to the following schedule:

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Notes to the financial statements for the year ended 31 December 2012 (continued)

(all amounts rounded to the nearest thousand)

	Stock-based compensation expense (USD)	Stock-based compensation expense (GBP)
2013	707,000	435,000
2014	692,000	426,000
2015	246,000	151,000
2016	165,000	102,000
2017	159,000	98,000
2018	-	-
	<u>1,969,000</u>	<u>1,212,000</u>

The following table represents certain information relating to SEI's stock option plans for 2012

	Number of Shares	Weighted average price (USD)
Balance as of 31 December 2011	1,880,000	20 28
Employee transfers	(1,027,000)	20 71
Granted	143,000	22 15
Exercised	(76,000)	15 30
Expired or cancelled	<u>(31,000)</u>	<u>22 80</u>
Balance as of 31 December 2012	889,000	20 43
Exercisable as of 31 December 2012	302,000	18 01

The expiration dates for options at 31 December 2012 range from 16 December 2013 to 11 December 2022 with a weighted average remaining contractual life of 6 28 years

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Notes to the financial statements for the year ended 31 December 2012 (continued) (all amounts rounded to the nearest thousand)

This table summarises information relating to all options outstanding at 31 December 2012

Exercise prices per share (USD)	Number of shares	Options outstanding at 31 December 2012		Options exercisable at 31 December 2012		
		Weighted average exercise price per share (USD)	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price per share (USD)	Weighted average remaining contractual life (years)
14 62 - 15 52	157,000	14 68	4 19	98,000	14 71	3 10
15 77 - 17 65	240,000	16 77	7 94	62,000	17 65	7 00
18 00 - 21 55	152,000	20 31	2 97	142,000	20 47	2 48
22 45 - 23 86	222,000	23 02	9 19	-	-	-
27 03 - 32 49	118,000	30 83	4 46	-	-	-
	889,000			302,000		

15. Ultimate parent company and controlling party

The immediate parent undertaking is SEI Global Investments Corporation, a company incorporated in the United States of America, as the parent company and 100 percent owner of SEI Investments (Europe) Ltd. SEI Investments Company is the ultimate parent company and 100 percent owner of SEI Global Investments Corporation. SEI Investments Company is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of SEI Investments Company are available from

Investor Relations
SEI Investments Company
1 Freedom Valley Drive
Oaks, PA 19456

16. Lease commitments

At 31 December 2012, the Company has annual commitments under non-cancellable operating leases expiring as follows

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Notes to the financial statements for the year ended 31 December 2012 (continued)

(all amounts rounded to the nearest thousand)

Land and Buildings

	2012 £	2011 £
Within one year	222,000	152,000
Within two to five years	<u>1,344,000</u>	<u>1,002,000</u>
	<u>1,566,000</u>	<u>1,154,000</u>

Other

Equipment

	2012 £	2011 £
Within two to five years	-	205,000
	<u>-</u>	<u>205,000</u>

17. Related party transactions

As a subsidiary undertaking of SEI Investments Company, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SEI Investments Company. Apart from intergroup transactions, no related parties transactions were entered into.

18. Subscription Agreement

The Directors of the Company have executed and approved a Subscription Agreement, dated 8 August 2012, in which SEI Investments Company, who controls the Company, will fund all on-going capital subscriptions necessary through 31 December 2015 to maintain the regulatory capital requirement as stipulated by the United Kingdom Financial Services Authority.