

Company Number 02122340

Investec Wealth & Investment Limited

Report and Financial Statements

For the year ended
31 March 2012

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INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2012

Business review

Principal activities

The principal activity of the company throughout the period has continued to be the provision of investment management services to private clients, pension funds and charities and financial planning services to private clients

Financial performance

The first quarter of the financial year was a period of relative stability for the UK financial markets. This stability was short lived, as the continuing sovereign debt crisis and instability in the euro zone led to sharp falls in equity indices in August 2011. A period of marked volatility followed as investors remained cautious and risk in the financial markets remained high. These challenging conditions made the implementation of investment strategies difficult and transaction volumes were depressed for a significant period of the financial year as a result. Whilst equity indices regained some ground during the final quarter, the challenging conditions adversely impacted the financial performance of the business for the financial year.

The FTSE/APCIMS Balanced Portfolio index, which is the index most representative of the composition of the portfolios which the company manages, increased by 0.6% over the year. Against this backdrop, reported operating profit fell by 7.2% to £24.79 million (2011: £26.70 million). This result is net of £0.5m of reorganisation costs relating to the integration of the business of Williams de Broe, which was acquired by the Company's ultimate parent company during the year. The prior year result includes the impact of an exceptional levy incurred from the Financial Services Compensation Scheme ('FSCS') of £2.45 million. Excluding these charges, and the amortisation of goodwill, the underlying operating profit of the company was £25.84 million (2011: £29.70 million), representing a decrease of 13.0%.

Revenue (net of fees and commissions payable to introducers), increased by 1.8% to £110.94 million (2011: £108.95 million). Reported profit after tax for the year ended 31 March 2012 was £18.80 million (2011: £19.43 million). During the year, interim dividends amounting to £15.50 million (2011: £40.36 million) were declared and paid. The directors are not recommending the payment of a final dividend (2011: £nil).

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Discretionary funds under management at 31 March 2012 were £9.81 billion (2011: £9.57 billion), an increase of 2.5% over the year. Non-discretionary funds decreased by 4.1% over the year to £3.03 billion (2011: £3.16 billion). This gave rise to total funds under management at 31 March 2012 of £12.84 billion, representing an increase of 0.9% relative to the level of £12.73 billion at 31 March 2011. This increase compares with growth in the FTSE/APCIMS Private Investors Balanced index during the year of 0.6% and also reflects the effect of net organic growth in funds under management and investment performance during the year.

The proportion of funds managed on a discretionary basis has increased to 76.4% (2011: 75.2%) and continues to exceed our stated target of managing in excess of 75% of mandates on a discretionary basis.

The annual rate of net organic growth in funds under management achieved for the year, excluding acquired inflows and exceptional outflows, was 1.6%. This falls short of our target over the longer term of achieving average net organic growth of 5% per annum. The net organic growth achieved in the first quarter of the financial year was in line with the targeted level, but the level of growth declined in the subsequent quarters as the difficult market conditions took hold.

Key performance indicators

The principal key performance indicators used by management are as follows:

	Year ended 31 March 2012	Year ended 31 March 2011	Change
Funds under management ¹	£12.84bn	£12.73bn	+0.9%
FTSE/APCIMS Balanced index ¹	3,001.6	2,984.8	+0.6%
FTSE All-Share index ¹	3,002.8	3,067.6	-2.1%
Underlying rate of net organic growth in total funds under management ²	+1.6%	+4.2%	N/A
% of total funds managed on a discretionary basis	76.4%	75.2%	N/A
Underlying operating profit ³	£25.84m	£29.70m	-13.0%
Underlying operating profit ³ as a % of net revenue	23.3%	27.3%	N/A

¹ As at the year end

² Net organic inflows less outflows as a % of opening funds under management

³ This is prior to goodwill amortisation, reorganisation costs and the exceptional FSCS levy relating to Keydata that was received during the year ended 31 March 2011

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INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Funds under management

	2012 £bn	2011 £bn
At 1 April	12.73	11.60
Inflows	0.96	1.08
Outflows	(0.76)	(0.59)
Market adjustment ¹	(0.09)	0.64
At 31 March	12.84	12.73
Underlying rate of net organic growth ²	+1.6%	+4.2%

¹ Impact of market movement and relative performance

² Net organic inflows less outflows as a % of opening funds under management

Business developments

On 22 December 2011, Investec plc, the company's ultimate parent undertaking, acquired the entire issued share capital of the Evolution Group plc ('Evolution'). Following the acquisition, the process of integrating the private client business of Evolution, Williams de Broe Limited, with Investec Wealth & Investment Limited commenced. While the integration process is ongoing, Investec Wealth & Investment Limited and Williams de Broe continue to trade as separate entities. The integration is expected to be completed during the year ending 31 March 2013.

A key element of our strategic focus remains the pursuit of organic growth in funds under management, whilst pursuing opportunities for acquisitive growth where these can be achieved at an appropriate value. In addition, we are pursuing opportunities to expand our international offering to clients.

We have continued to grow the number of client-facing personnel through targeted recruitment of experienced individuals. In addition, we continue to invest in the development of our staff through training and structured development programmes. We see investment in our office environments as a key component of attracting and retaining new and existing staff. The programme of improving our office environments for the benefit of both our clients and staff has continued during the year. Our Farnham office has relocated to Guildford and a major refurbishment of our Leeds office was completed shortly after the year end.

As referred to above, we are currently undertaking the substantial project of integrating the business of Williams de Broe with Investec Wealth & Investment. The successful achievement of this project during the course of the new financial year will be a key focus for the business in the coming months.

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Community initiatives

The company continues to recognise the importance of supporting the local community and actively contributes to a range of initiatives, organisations and good causes, both locally and nationally

The company's charitable trust has provided support through a range of charitable donations through the year. The company also sponsors a number of community based activities and organisations both locally and nationally which include the Royal Liverpool Philharmonic Orchestra, the National Garden Scheme Yellow Book, Scotland's Gardens Scheme, Opera Holland Park, the Merseyside and South Yorkshire Community Foundations and the Independent Schools Football Association under 13 and under 15 cup competitions

In addition to direct financial support, we aim to use our expertise to provide a direct contribution to the community. We run annual 'student weeks' in a number of our larger offices, which provide support to undergraduates, by helping them to gain a better understanding of a range of financial issues within a commercial environment and develop an understanding of the financial world

Risks and uncertainties

The potentially significant risks faced by the company and the controls operating over such risks are kept under regular review by the board. These risks have been faced by the company throughout the reporting period and are expected to continue to be faced going forward. Hence, the appropriate management of these risks is key to the successful long-term development, performance and position of the company

The principal risks and uncertainties, together with the associated controls, are

- 1 Reputational risk, which may arise from poor investment advice or service to clients, or from a public censure by the regulator. This risk is mitigated by the company's strong service ethos demonstrated by its professionally qualified and experienced staff who operate in an environment where compliance is given a high priority and are supported by a strong internal research function and appropriate investment committees
- 2 Market risk from the company's exposure to sudden movements and / or downturns in the UK and world financial markets in which it operates. We continue to reduce this risk by seeking to further increase the proportion of the company's income which is recurring in nature and also by keeping a significant proportion of the total remuneration of client-facing staff in the form of incentives which are dependant upon the level of income they produce. Except as disclosed in note 21 under credit risk, the company does not undertake any significant principal account trading and hence the risk to the company's own assets from market movements is not considered to be potentially material

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

- 3 Regulatory risk arises, given the company operates in the highly regulated financial services sector where failure to comply with regulatory requirements could lead to substantial fines or other disciplinary action. The company invests substantial resources into ensuring that the company and its employees maintain compliance on an ongoing basis in respect of all regulatory obligations.
- 4 Competition risk, which manifests itself in a reduction in clients due to inappropriate and / or poorly priced service or product offerings, or insufficient professional staff to properly serve clients. To mitigate this risk we keep developments in the market in which we operate under careful review and we invest heavily in our staff, not only in terms of their remuneration packages, but also in the office environments from which they operate and in ensuring we meet their ongoing training and development needs.
- 5 Operational risk, which principally arises from inadequate business continuity and / or disaster recovery planning or a significant business process failure in one of the company's support functions. Business continuity and disaster recovery is an area which we continue to recognise the increasing importance of and we continue to invest significant management time and financial resources to mitigate this risk further. With regard to settlement and the support functions, the adequacy and operation of our internal processes are kept under regular review by the internal auditors and by management and, to the extent necessary to support its audit report, the external auditor.
- 6 Fraud risk that follows from holding significant cash and securities both on our own behalf and on behalf of our clients. This risk is mitigated by appropriate segregation of duties, regular reconciliations of both firm and client assets, significant levels of insurance carried by the company and last, but certainly not least, the detailed personal knowledge of many of the company's investment management clients that their investment management team possesses which, in particular, assists greatly in protecting against the ever increasing risk of identity theft.
- 7 Financial risks, comprising credit, liquidity, interest rate and price risks, and the associated key controls are described in detail in note 21 to the financial statements.

Going concern

The financial statements have been prepared on the going concern basis. Details of the directors' conclusion that the going concern basis is appropriate are set out in the note 1 (a) to the financial statements.

Creditor payment policy

The company's standard practice is to agree the terms of payment with suppliers at the time of the contract and to make payments within the agreed credit term subject to satisfactory performance.

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Employees

Our employees are fundamental to the continued success of the business and the company is committed to promoting and supporting the growth and development of all of its employees. We believe that strong business performance is built on integrity and openness in the company's relationships with both our clients and our employees.

Training and development

Managing and developing the performance of the company's employees through our professional development system is crucial to the achievement of the company's objectives and the success of the business. The aim of the process is not only to meet or, in most cases, exceed the professional competency requirements of the regulatory and professional bodies of the industry, but also to ensure that each member of staff understands and actively promotes the company's core values in delivering high standards of client service.

The company supports employees through their professional qualifications by meeting the cost of study materials and courses, providing study leave, and rewarding exam success. On-going professional development and training is provided through the company's online interactive training facilities, internal seminars and courses provided by external specialists.

Ethical standards are of paramount importance to the company and these are supported by the company's internal policies, which include a whistle-blowing policy to provide employees with a process to report any ethical concerns they may have, should they believe that the company's high standards of integrity have not been adhered to.

Equality of opportunity

The company believes in equality of opportunity. All employees and applications for employment are treated fairly and based on merit, irrespective of race, gender, religious belief, disability, age, marital status or sexual orientation.

The company's policy is to give full and fair consideration to applications for employment made by disabled persons, taking into account their particular aptitudes and abilities and the nature of work involved. Should an employee become disabled, arrangements would be made, wherever practicable, to enable them to continue their employment with the company, including the provision of appropriate training where relevant.

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Health, safety and welfare

The company is committed to ensuring that employees have a safe, healthy and pleasant working environment. As a member of the Investec group, the company draws on the resources of the Investec facilities team, together with external consultants, to manage and monitor the effectiveness of the established health and safety policies and procedures. The company provides employees with access to an online training facility, where a range of health and safety training programmes are available.

The company aims to help employees to balance their work and personal lives. Flexible working is increasingly accommodated as a result of our remote access system to the company's IT network, allowing employees to work from home in certain instances. Other initiatives are also provided such as a childcare voucher scheme and free loans for travel season tickets to assist with the use of public transport.

The directors who held office during the year were as follows

D J Bulteel
C G Clarke
S M Elliott
B Fried
I W Hooley
S G Kaye
R Lister
I Maxwell Scott
J E Price
M J S Redmayne
M Rigby
J D Seal
T H Street
N J Warren
J P Wragg

Secretary.

K Cong

INVESTEC WEALTH & INVESTMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors indemnities

Certain of the company's directors are also directors of Rensburg Sheppards plc. Rensburg Sheppards plc has undertaken, by way of deeds of indemnity, to indemnify its directors for liabilities that they may incur in the course of acting as a director of Rensburg Sheppards plc or a subsidiary of Rensburg Sheppards plc in connection with negligence, default or breach of duty or trust. These indemnities, which represent qualifying third party indemnity provisions, do not extend to a liability of a director to Rensburg Sheppards plc or a subsidiary of Rensburg Sheppards plc, or liabilities in respect of criminal proceedings or regulatory sanctions. Rensburg Sheppards plc, in accordance with its articles of association, maintains insurance against potential liabilities of directors.

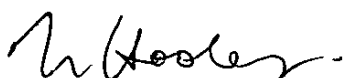
Disclosure of information to the independent auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

KPMG Audit Plc will be deemed to have been reappointed as auditor under section 487(2) of the Companies Act 2006.

By order of the board



I W Hooley
Director
8 June 2012

2 Gresham Street
London
EC2V 7QP

INVESTEC WEALTH & INVESTMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and 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, and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INVESTEC WEALTH & INVESTMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
Revenue		116,486	113,440
Fees and commissions payable		(5,547)	(4,489)
Net revenue	1,2	110,939	108,951
Operating expenses		(81,566)	(80,677)
Share-based payments	17	(3,537)	(1,025)
Reorganisation costs		(500)	-
Goodwill amortisation	9	(545)	(545)
Total administrative expenses		(86,148)	(82,247)
Operating profit	5	24,791	26,704
Net interest receivable and similar income	6	634	836
Income from fixed asset investments		44	49
Profit on ordinary activities before taxation		25,469	27,589
Tax on profit on ordinary activities	7	(6,668)	(8,163)
Profit for the financial year	19	18,801	19,426

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012

	2012 £'000	2011 £'000
Profit for the financial year	18,801	19,426
Gain on revaluation of investments	41	92
Total gains and losses recognised since last annual report	18,842	19,518

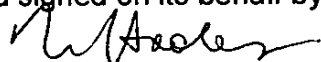
Revenue and operating profit relate entirely to continuing operations. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

INVESTEC WEALTH & INVESTMENT LIMITED

BALANCE SHEET AS AT 31 MARCH 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	9	4,299	4,844
Tangible assets	10	3,907	2,723
Investment in subsidiary undertakings	11	13	13
Other investments	11	1,530	1,489
		<u>9,749</u>	<u>9,069</u>
CURRENT ASSETS			
Debtors	12	120,062	139,163
Cash at bank and in hand		73,959	64,932
		<u>194,021</u>	<u>204,095</u>
CREDITORS:			
Amounts falling due within one year	13	(141,583)	(155,535)
NET CURRENT ASSETS		<u>52,438</u>	<u>48,560</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,187</u>	<u>57,629</u>
CREDITORS:			
Amounts falling due after one year	14	(2,848)	(2,130)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(1,298)	(800)
NET ASSETS		<u>58,041</u>	<u>54,699</u>
CAPITAL AND RESERVES			
Called up equity share capital	18	10,455	10,455
Share premium account	19	14,066	14,066
Revaluation reserve	19	1,484	1,443
Profit and loss account	19	32,036	28,735
SHAREHOLDER'S FUNDS	20	<u>58,041</u>	<u>54,699</u>

The financial statements on pages 10 to 34 were approved by the board on 8 June 2012 and signed on its behalf by



I W Hooley
Director
8 June 2012

Company registration number 02122340

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed asset investments in accordance with the Companies Act 2006 and applicable accounting standards. In preparing this financial information, there have been no material changes to the accounting policies previously applied by the company in preparing its annual report and financial statements.

The directors have undertaken a review to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements. This review involved the preparation of detailed forecasts of the profitability, cash position and regulatory capital position of the company for the period ending 30 June 2013. These forecasts were subject to stress testing, in order to assess the impact on the financial position of the company of a deterioration in market conditions.

The financial position of the company, together with details of the key risks and uncertainties faced by the business, are set out in the business review on pages 1 to 8. Details of the company's liquidity and financial risk management procedures are set out in note 21. The company has substantial cash resources, the majority of which are held on call, with these deposits being spread across a wide selection of highly-rated banks.

Whilst there remains uncertainty in the economic outlook, after taking into account the results of the review set out above, the directors consider that the company is well positioned to successfully manage the risks the business faces. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(b) Group accounts

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

(c) Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(d) Revenue

Revenue comprises fees from the provision of investment management services, commissions arising from the purchase or sale of financial assets and interest receivable in the course of ordinary investment management business. Revenue is stated net of VAT and is disclosed both before and after the deduction of fees and commissions payable to third parties. Fees receivable are recognised in the period to which the related service is provided and commissions receivable are recognised once the related transaction has been performed. Interest is recognised in the period in which it is earned. Fees and commissions payable are recognised in the period in which the obligation to pay the amount arises.

(e) Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is up to a maximum of twenty years. Provision is made for any impairment.

(f) Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, on a straight-line basis of each asset over its expected useful economic life as follows:

Computer hardware and software	3 – 5 years
Fixtures and fittings	3 – 15 years

(g) Investments

Listed equity investments are stated at the market bid price at the balance sheet date without deduction for transaction costs. Unlisted equity investments are stated at the directors' best estimate of the value that could be obtained in an arm's length disposal of the equity instruments, via reference to recently published market information. Gains and losses arising on the revaluation of equity investments are taken to the revaluation reserve via the statement of total recognised gains and losses, other than losses due to permanent diminutions in value, which are taken to the profit and loss account.

(h) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is recognised in respect of all timing differences (except as otherwise required by FRS 19) 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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(h) Taxation (continued)

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

The company's corporation tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The Company recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified.

(i) Clients' money

Cash balances are included in the financial statements net of monies held on behalf of clients.

(j) Share-based payments

In accordance with the amendment to FRS 20 'Group cash-settled share-based payment transactions', where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary is required to measure the fair value of the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions.

The fair value of share and share option awards is estimated using an established valuation model, normally the Black-Scholes model. The fair value is calculated at the date of grant of the award and is charged to the profit and loss account over the period during which the employee becomes unconditionally entitled to the award (the 'vesting period'). The corresponding credit is recognised directly in the profit and loss account reserve, other than where the granting entity requires payment equivalent to the fair value of the awards granted, in which case the corresponding credit is recognised as a liability. The fair value charged to the profit and loss account is based on an estimate of the number of equity instruments that will ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised in the profit and loss account is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(k) Pensions

The company only operates defined contribution schemes and contributions are charged to the profit and loss account in the period to which they relate

(l) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(m) Related party transactions

Under the terms of Financial Reporting Standard 8 the company is exempt from disclosing related party transactions with entities that are part of the Investec group

(n) Operating leases

Costs in respect of operating leases are charged to the profit and loss account in the period to which they relate

(o) Dividends

Final dividends payable to the company's shareholders are recognised in the financial statements as a distribution of retained earnings in the period in which the dividend is approved by the company's shareholders. Interim dividends are recognised in the period in which they are paid

2. Segmental reporting

The company's activities consist solely of investment management services within the United Kingdom

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Employee information

(a) The average number of persons employed by the company, including directors, during the year was 636 (2011 607)

(b) Employment costs of employees, including directors, were as follows

	2012 £'000	2011 £'000
Wages and salaries	49,150	45,814
Social security costs	6,219	5,586
Other pension costs	3,066	2,722
Share-based charges	3,537	1,025
	<u>61,972</u>	<u>55,147</u>

No amounts were payable to defined contribution pension funds at the end of the financial year (2011 £nil)

4. Directors' emoluments

	2012 £'000	2011 £'000
Highest paid director		
Emoluments	622	517
Pension contributions	36	20
Directors including highest paid director		
Amounts paid to third parties in respect of directors' services	70	35
Emoluments	4,713	3,477
Pension contributions	<u>270</u>	<u>186</u>

From 1 April 2011, directors' emoluments include amounts previously incurred by Rensburg Sheppards plc, the company's immediate parent undertaking, in respect of certain of the company's directors

During the year 11 directors (2011 nil), including the highest paid director, exercised share options under the Save As You Earn share-based payment scheme

At 31 March 2012 there were 12 directors (2011 12) to whom retirement benefits were accruing under defined contribution pension schemes

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating profit

	2012 £'000	2011 £'000
Operating profit is stated after charging		
Audit of these financial statements	79	77
Amortisation of intangible fixed assets	545	545
Share-based charges	3,537	1,025
Reorganisation costs	500	-
Depreciation of tangible fixed assets	1,401	1,388
(Loss)/profit on disposal of fixed assets	(24)	6
Operating lease rentals – property	1,372	2,357
Operating lease rentals – motor vehicles	234	219

On 22 December 2011, Investec plc, the company's ultimate parent undertaking, acquired the entire issued share capital of the Evolution Group plc ('Evolution'). Following the acquisition, the process of integrating the private client business of Evolution, Williams de Broe Limited, with Investec Wealth & Investment Limited commenced. While the integration process is ongoing, Investec Wealth & Investment Limited and Williams de Broe continue to trade as separate entities. The charge of £500,000 represents the costs that have been committed to by the company during the period from the date of acquisition to 31 March 2012 in respect of the integration. The integration is expected to complete during the year ending 31 March 2013.

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in the report and financial statements of Investec Wealth & Investment Limited since the consolidated accounts of the company's ultimate parent undertaking, Investec plc, are required to disclose non-audit fees on a consolidated basis.

6. Net interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable on bank deposits	640	841
Interest payable on bank loans and overdrafts	(6)	(5)
	<u>634</u>	<u>836</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Taxation on profit on ordinary activities

	2012 £'000	2011 £'000
United Kingdom corporation tax at 26% (2011 28%)	7,521	8,693
Adjustments in respect of prior years	(68)	(97)
Total current taxation	<u>7,453</u>	<u>8,596</u>
Deferred taxation		
Origination and reversal of timing differences	(783)	(379)
Adjustment in respect of prior years	(2)	(54)
Total taxation on profit on ordinary activities	<u>6,668</u>	<u>8,163</u>

The total current tax charge stated above and the amount calculated by applying the standard UK corporation tax rate of 26% (2011 28%) can be reconciled as follows

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	<u>25,469</u>	<u>27,589</u>
Tax on profit on ordinary activities before taxation at 26% (2011 28%)	6,622	7,725
Effects of		
Adjustments in respect of prior years	(68)	(97)
Accelerated capital allowances and short term timing differences	505	572
Other expenses not tax deductible	405	410
Income not chargeable to tax	(11)	(14)
Current tax charge for the year	<u>7,453</u>	<u>8,596</u>

8. Dividends

	2012 £'000	2011 £'000
Equity dividends on ordinary shares		
Interim dividends paid £1,482 54 per share (2011 £3,860 14 per share)	<u>15,500</u>	<u>40,358</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2011 and 31 March 2012	<u>10,906</u>
Amortisation	
At 1 April 2011	6,062
Charge for the year	545
At 31 March 2012	<u>6,607</u>
Net book value	
At 31 March 2012	<u>4,299</u>
Net book value	
At 31 March 2011	<u>4,844</u>

10. Tangible fixed assets

	Computer hardware £'000	Computer Software £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2011	3,991	4,016	2,866	10,873
Additions	507	806	1,301	2,614
Disposals	(198)	-	(270)	(468)
At 31 March 2012	<u>4,300</u>	<u>4,822</u>	<u>3,897</u>	<u>13,019</u>
Depreciation				
At 1 April 2011	3,349	3,216	1,585	8,150
Charge for the year	436	562	403	1,401
Disposals	(195)	-	(244)	(439)
At 31 March 2012	<u>3,590</u>	<u>3,778</u>	<u>1,744</u>	<u>9,112</u>
Net book value				
At 31 March 2012	<u>710</u>	<u>1,044</u>	<u>2,153</u>	<u>3,907</u>
Net book value				
At 31 March 2011	<u>642</u>	<u>800</u>	<u>1,281</u>	<u>2,723</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investments

Investment in subsidiary undertakings.

	2012 £'000	2011 £'000
Shares in group companies at valuation	<u>13</u>	<u>13</u>

A full list of the related undertakings of the company is set out in note 25

Other investments

	Listed equities £'000	Unlisted equities £'000	Total £'000
At 1 April 2011	702	787	1,489
Revaluation during the year	170	(129)	41
At 31 March 2012	<u>872</u>	<u>658</u>	<u>1,530</u>

Listed equity investments comprise 84,313 shares in London Stock Exchange Group plc

12. Debtors

	2012 £'000	2011 £'000
Trade debtors	102,736	123,624
Amounts owed by group undertakings	1,081	-
Other debtors	442	2,081
Deferred tax asset	2,742	1,958
Prepayments and accrued income	13,061	11,500
	<u>120,062</u>	<u>139,163</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Debtors (continued)

The movement on deferred tax during the year was as follows

	£'000
At 1 April 2011	1,958
Charged to the profit and loss account	784
At 31 March 2012	<u>2,742</u>

The deferred tax asset at 31 March 2012 comprises

	£'000
Accelerated capital allowances	400
Short term timing differences	2,342
	<u>2,742</u>

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax from 26% to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction is a reduction in the deferred tax asset which has been included in the figures above

The Chancellor also proposed changes to reduce further the main rate of corporation tax by one percentage point per annum to 22% by 1 April 2014. These changes are not substantively enacted at 31 March 2012 and therefore are not reflected in the figures above. The overall effect of the further reductions from 24% to 22%, if these applied to the deferred tax asset at 31 March 2012, would be to reduce the deferred tax asset by approximately £228,000

13. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	105,238	122,232
Bank loans and overdrafts – unsecured	2	867
Corporation tax payable	7,979	4,472
Other tax and social security costs	5,105	4,880
Amounts owed to group undertakings	1,405	903
Other creditors	291	267
Accruals and deferred income	21,563	21,914
	<u>141,583</u>	<u>155,535</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Creditors: amounts falling due after one year

	2012 £'000	2011 £'000
Accruals and deferred income	<u>2,848</u>	<u>2,130</u>

15. Obligations under operating leases

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows

	Property		Motor Vehicles	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Expiring within one year	-	131	22	39
Expiring between one and five years	165	186	172	148
Expiring over five years	1,040	569	-	-
	<u>1,205</u>	<u>886</u>	<u>194</u>	<u>187</u>

16. Provisions for liabilities and charges

	Onerous leases £'000	Dilapidations £'000	Total £'000
At 1 April 2011	415	385	800
Charged to the profit and loss account	246	573	819
Utilised in the year	(178)	(143)	(321)
At 31 March 2012	<u>483</u>	<u>815</u>	<u>1,298</u>

The onerous leases provision represents future rentals and running costs of unoccupied leasehold premises for the period that the premises are expected to remain vacant. All such leases or periods of vacancy are expected to end during or before 2015.

The provision for property dilapidation costs reflects the obligations that the company has to reinstate leasehold properties to their original condition prior to the expiry of the relevant lease. The leases held on these properties expire in the period up to 2022.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments

Investec plc, the company's ultimate parent undertaking, operates a number of equity settled share-based payment schemes in which certain of the company's employees are eligible to participate, as set out below

Share Incentive Plan

In June and December each year, Investec consider making awards under the Investec 1 Limited Share Incentive Plan ('SIP') to certain of the company's employees. The vesting of the award is conditional upon the employee remaining in the employment of the Investec group for a specified period. 75% of the total award vests after a period of 4 years, with the remaining 25% of the total award vesting after 5 years. With regard to the awards outstanding at 31 March 2012 and 31 March 2011, the vesting of the awards is not subject to any performance conditions and no consideration is payable by the employee upon grant or exercise.

Save As You Earn

Upon the acquisition of Rensburg Sheppards plc by Investec on 25 June 2010, holders of unvested options that were previously granted by Rensburg Sheppards plc under the Savings-Related Share Option scheme ('SAYE') were offered a choice of exercising their option early on a pro-rata basis or allowing their option to be rolled over into an option over shares of Investec plc. Where options were rolled over, option holders were awarded 1.63 Investec shares for each Rensburg Sheppards plc share under option.

The options outstanding at 31 March 2011 were granted under the SAYE scheme in December 2008. All employees of the company were eligible to participate in the SAYE. Options were granted with a fixed exercise price determined in accordance with the scheme rules. The options could be exercised at any time during the six month period following the vesting date. Exercise of the options was subject to continued employment within the group, however, options could be exercised prior to the vesting date where employment ceased as a result of redundancy, ill health or on reaching normal retirement age. The vesting of options was not subject to any performance conditions.

All remaining options granted under the SAYE scheme vested or were forfeited during the year ended 31 March 2012 and consequently there were no options outstanding under this scheme at 31 March 2012.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments (continued)

Exercise price range and remaining contractual life

The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2012 are as follows

	2012	2011
Share Incentive Plan		
Exercise price	£nil	£nil
Weighted average remaining contractual life	3.70 years	4.59 years
Save-As-You-Earn 2008		
Exercise price*	-	£1.86
Remaining contractual life	-	0.84 years

Options granted during the year

The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year the inputs were as follows

	2012	2011
Share price at date of grant	£3.34 - £5.00	£4.98
Exercise price	£nil	£nil
Expected volatility	30%	30%
Option life	4/5 years	4/5 years
Expected dividend yields	5.19% - 7.84%	5.23%
Average risk-free rate	1.48% - 2.15%	2.15%

Expected volatility for the SIP scheme reflects implied volatility levels and is based on the Investec share price movement over the 6 months preceding the date of grant but also includes an element of forward expectation

The fair value of options granted during the year was £81,000 (2011: £12,041,000). During the year ended 31 March 2012 employees transferred into the company who held options with an outstanding fair value of £1,028,000 (2011: £nil).

The total charge for the period relating to employee share-based payment schemes was £3,537,000 (2011: £1,025,000), all of which related to equity-settled share-based payment transactions.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Share-based payments (continued)

A reconciliation of the number of shares in respect of which awards have been made is set out below

	Save-As-You-Earn 2006 No	2008 No	Share Incentive Plan No
Options over Rensburg Sheppards plc shares:			
Outstanding at 1 April 2010	5,433	1,003,427	-
Forfeited	-	(20,900)	-
Exercised	(3,604)	(13,562)	-
Lapsed	(1,829)	-	-
Outstanding at 25 June 2010	-	968,965	-
Options over Investec plc shares:			
At 25 June 2010 (post roll-over)	-	1,579,132	-
Granted	-	-	3,284,000
Exercised	-	(3,821)	-
Forfeited	-	(20,646)	(750)
Outstanding at 31 March 2011	-	1,554,665	3,283,250
Granted	-	-	28,700
Transfers	-	10,326	306,062
Exercised	-	(1,557,859)	(1,400)
Forfeited	-	(7,132)	(18,500)
Outstanding at 31 March 2012	-	-	3,598,112

The 968,965 options outstanding over Rensburg Sheppards plc shares at 25 June 2010 that were granted in 2008 under the SAYE scheme, were rolled over into options over shares of Investec plc. Where options were rolled over, option holders were awarded 1.63 Investec shares for each Rensburg Sheppards plc share under option, giving rise to 1,579,132 options outstanding over Investec plc shares at that date.

At 31 March 2012, 22,500 options were exercisable under the SIP. No options were exercisable at 31 March 2011.

The Investec plc weighted average share price for the year ended 31 March 2012 was £4.14 (2011: £4.94).

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Called up share capital

	2012		2011	
	No.	£	No	£
Authorised Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	12,000	12,000
Allotted, called up and fully paid Ordinary shares of £1 each	<u>10,455</u>	<u>10,455</u>	10,455	10,455

19. Reserves

	Share premium £'000	Profit & loss £'000	Revaluation reserve £'000
At 1 April 2011	14,066	28,735	1,443
Profit for the financial year	-	18,801	-
Gain on revaluation of investments	-	-	41
Dividends	-	(15,500)	-
At 31 March 2012	<u>14,066</u>	<u>32,036</u>	<u>1,484</u>

20. Reconciliation of movements in shareholder's funds

	2012 £'000	2011 £'000
Profit for the financial year	18,801	19,426
Gain on revaluation of investments	41	92
Share-based payments	-	69
Dividends	(15,500)	(40,358)
Net increase/(decrease) to shareholder's funds	<u>3,342</u>	<u>(20,771)</u>
Opening shareholder's funds	54,699	75,470
Closing shareholder's funds	<u>58,041</u>	<u>54,699</u>

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management

The company operates a formal risk management process to identify, evaluate and manage the risks to which the company is exposed. A standard risk management framework is used across the company to assess exposure to risks and the controls that are in place to manage those risks.

For the purposes of the risk management process, the company is divided into separate business units which share common risk characteristics. Each business unit has a designated risk owner, who is normally the person with management responsibility for the particular unit.

The risks identified for each business unit are recorded on a centralised system, which is used to consolidate risks across the company in order to provide a company-wide view of risk. Where a risk relates to a single business unit, the risk is managed within the relevant business unit through its control procedures. Where risks are common to more than one business unit, the risks are managed in a centralised manner through the company's risk management structure, which is led by the risk management committee. The company's attitude towards the acceptance of risk is set out in a formal risk appetite policy, which is approved by the board.

The financial risks to which the company is exposed comprise credit risk, liquidity risk, interest rate risk and price risk. The management of these financial risks is set out below.

Credit risk

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet their obligations to repay outstanding amounts as they fall due. For the company, credit risk principally arises from the settlement of market transactions, amounts receivable from clients, and cash deposited with banks relating to its investment management activities.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management (continued)

The settlement risk in respect of client counterparties is mitigated by virtue of the high proportion of client portfolios being managed on a discretionary basis, with relatively little business undertaken on an execution only basis. Normally, the purchase of securities on behalf of clients is undertaken only once cleared funds are available. Sales of securities are normally undertaken only once the related securities are held within the company's nominee company. Any transactions undertaken prior to the receipt of cleared funds or securities are subject to close monitoring as part of the company's internal control procedures. The company's exposure to large trades is also limited, as the nature of the business determines that individual trades are generally relatively small in value and trades that exceed the pre-set authorisation limits that are embedded within the company's order management system for each individual, determined by reference to their role and level of seniority, are referred for further approval. The settlement risk in respect of market counterparties is mitigated as a result of transactions normally being undertaken on recognised exchanges and standard platforms, and delivered through major settlement systems.

The company undertakes investment business only on behalf of its clients and does not trade on its own account. A small proportion of the company's investment management service involves options trading. The settlement risk in respect of options business differs to that of the core investment management activity by virtue of the requirement that derivative business undertaken on behalf of clients must be transacted by the company as principal, under the rules of LIFFE. However, such transactions are only undertaken on a matched basis to ensure that the exposure to the company is maintained within acceptable limits. In addition, the company requires collateral, which must meet certain quality criteria, to be pledged by clients who hold option positions, in order to mitigate the risk of adverse market movements affecting the company.

The mitigation of credit risk relating to cash deposited with banks is achieved as a result of deposits being held across a spread of major banks that possess a high credit rating. Deposits are managed by the company's dedicated treasury function in accordance with the company's treasury policy, which is set by the company's cash and credit management committee ('CCMC').

Modest short-term advances to clients may occasionally be made, subject to these being secured against suitable portfolios managed by the company.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its financial obligations as they fall due. For the company, exposure to liquidity risk comprises two elements. The first is in respect of the company's own cash resources, and the sufficiency of those resources to meet the company's financial obligations as they become due for payment. Secondly, the company manages the cash resources of its investment management clients, where client portfolios include an element of cash assets. The management of clients' cash assets must retain a sufficient amount of liquidity in order that this cash is available for investment in non-cash assets within clients' portfolios at the relevant time, or repaid to clients upon demand.

The CCMC is responsible for setting and monitoring the company's policy for the management of both the company's cash assets and those of clients. The management of these assets principally involves placing cash deposits with banks and holding other liquid assets that can readily be realised into cash. The policy for cash management specifies the institutions with which deposits may be made and sets out the criteria regarding the maximum deposit that may be made with a single institution, the proportion of cash that may be held on call and fixed term deposits, and the maximum term of deposits. The day-to-day management of cash assets within the parameters of the policy is the responsibility of a dedicated treasury team, which reports to the CCMC.

In accordance with the company's current policy, a substantial proportion of the company's own cash assets is deposited on call, with the remainder held on fixed term deposits with a maturity of up to three months. The deposits are with a range of the higher-rated banks.

In order to mitigate the company's exposure to demands by clients for cash withdrawals from portfolios, the company's current policy is to maintain a substantial proportion of clients' total cash deposits available either on call or subject to a maximum of seven days' notice. The balance may be placed on notice deposits of up to 95 days or on fixed term deposits, in respect of which a rolling maturity profile is maintained. The proportion of clients' cash deposited on call is considerably greater than the maximum historical demand for client cash in any single month and the policy applied is considered to reduce the liquidity risk in respect of clients' cash assets to an acceptable level. The liquidity risk relating to non-cash investment assets held in clients' portfolios remains with the relevant client.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management (continued)

The company's ability to generate cash from its operating activities remains strong and there continues to be a high correlation between the company's profitability and cash generation. A principal reason for this is that fees, commission and other charges in respect of the company's investment management and dealing activities are usually charged to, and paid directly from, the portfolios of clients managed by the company. There is therefore a minimal timeframe between charges being levied and the collection of cash.

Whilst the company has considerable cash resources and continues to generate cash over a relatively short operating cycle, it is the company's policy to maintain overdraft facilities where it is efficient to do so. At 31 March 2012, the company had access to separate overdraft facilities of £10 million and £3 million, which are due for renewal on 31 July 2012 and 31 October 2012 respectively. At 31 March 2012, the company had drawn on £2,000 (2011: £867,000) of these facilities and all conditions necessary for the company to draw on the remainder of these facilities were satisfied at 31 March 2012.

In addition to the liquidity risks set out above, the company also has exposure to liquidity risk in respect of traded option transactions. As noted above, options business is transacted on a matched basis and clients with open options positions are required to lodge a minimum specified amount of collateral with the company in order to mitigate the risk of adverse market movements affecting the company. This collateral must meet certain quality criteria and may comprise cash and non-cash investments. As a result of the matched basis of options transactions, the company is in turn required to lodge collateral with the market in respect of clients' options positions. The company has a bank guarantee facility of £20 million in place, which is due for renewal annually on 31 July. The purpose of this facility is to satisfy the company's collateral requirement with the market, thereby negating the need for the company to lodge its own or clients' cash or other assets with the market. The level of this guarantee is considered to be adequate to cover the collateral requirement under most circumstances. However, market conditions may arise which result in the level of the collateral requirement exceeding the guarantee facility. Under these circumstances, the company has established a process to facilitate assets of the relevant clients to be lodged with the market directly to fulfil the collateral requirements, thereby avoiding the need for the company to lodge its own cash or assets should the collateral requirement exceed the level of the company's guarantee facility.

Interest rate risk

Interest rate risk is the risk that future cash flows may be adversely affected as a result of changes in interest rates.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management (continued)

The company does not hold a banking licence and does not therefore undertake banking activity. The interest rate risk to which the company is exposed principally relates to the effect that a change in interest rates would have on the company's cash deposits and on other income that is determined by reference to interest rates.

As explained above in the liquidity risk section, a substantial proportion of the company's cash resources are held on call deposits, which typically earn a floating rate of interest, or on deposits requiring a period of notice not exceeding seven days. The smaller proportion of fixed term deposits normally earn a rate of interest that is fixed for the term of the deposit that has been agreed. This combination of deposits and interest rates mitigates both interest and liquidity risks to an acceptable level and is considered to provide an overall risk profile that is appropriate for the company and its financial position.

Interest rate positions are monitored on a day-to-day basis by the company's treasury team, in accordance with the policy set out by the CCMC.

Interest paid by the company to individual clients on cash balances within their portfolios is determined by reference to the prevailing Bank of England base rate and the level of cash held within their portfolio. Interest earned by the company on client cash deposits is expected to exceed the level payable to clients. This interest rate margin is variable and is dependent upon the size of cash balances within client portfolios and the level of interest rates available to the company in the marketplace. Whilst variations in the interest rate margin represent exposure to interest rate risk for the company, this risk is mitigated to acceptable levels by the company's internal control procedures and the policy set by the CCMC regarding the placing of cash deposits, set out above. At 31 March 2012, the amount of cash held by clients within their portfolios was £0.84 billion (2011: £0.74 billion).

Price risk

Price risk is the risk that changes in market prices will affect the company's income from, or the value of, its holdings of financial instruments.

The company's fee income is determined by reference to the value of the funds managed by the company. Although these funds represent client assets and are not assets of the company, changes to the level of funds under management directly affect the level of the company's fee income. To the extent that funds under management include equity investments and other traded securities, changes in market prices of investments will affect the value of the company's funds under management and hence the level of fee income earned by the company. This represents exposure to price risk. Whilst changes in the market prices of investments have significant influence on the value of the company's funds under management, and hence the level of its fee income, factors other than price risk also affect the level of the company's funds under management.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management (continued)

These factors include asset allocations within individual portfolios, the specific investments held within portfolios, individual investment decisions and the company's overall investment performance

Whilst the company does not undertake principal account trading, it does hold certain listed and unlisted equity investments that are subject to price risk. Listed and unlisted equity investments are recognised at their fair value and are set out in note 11. The carrying value of the assets at 31 March 2012 of £1,530,000 (2011 £1,489,000) significantly exceeds their original cost, giving rise to the revaluation reserve of £1,484,000 at 31 March 2012 (2011 £1,443,000). Any fall in the value of listed and unlisted equity investments would be first offset against this reserve prior to the fall giving rise to a reduction in reported profit after taxation.

Concentration of risks

The business of the company is that of investment management undertaken within the UK. It is therefore inherent within the business that the risk arising from the company's financial instruments are concentrated within this business and geographical sector.

22. Contingent assets and liabilities

Financial Services Compensation Scheme ('FSCS')

The UK FSCS provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it. The FSCS raises annual levies from participating members to meet its management expenses and compensation costs.

At present, there remains a significant degree of uncertainty over the level of future FSCS levies, which will depend upon the cost to the FSCS of compensating investors for the failure of other entities in the financial services sector. The FSCS has raised the possibility that the failure of CF Arch Cru Funds and MF Global may result in compensation being paid, but the timing and extent of any subsequent further levies is currently uncertain until more information regarding the losses and the likely number of eligible claimants becomes available. At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of the company's participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon the operating results in any particular financial period.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Contingent asset and liabilities (continued)

In addition to the matters set out above, the company has contingent liabilities which cannot be quantified in respect of letters of indemnity, principally for certified stock transfers and share certificates, given in the ordinary course of business

23. Capital commitments

	2012	2011
	£'000	£'000
Contracted but not provided for	98	70

24. Parent undertaking

The company is a subsidiary of Investec plc, the ultimate parent undertaking, which is registered in England and Wales. Investec Bank plc, also registered in England and Wales, is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Investec plc and Investec Bank plc consolidated financial statements can be obtained from 2 Gresham Street, London, EC2V 7QP.

INVESTEC WEALTH & INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related undertakings

The company held the following investments in related undertakings, either directly or indirectly, during the year ended 31 March 2012. All companies are incorporated in England and Wales, with the exception of Hero Nominees Limited which is incorporated in Guernsey.

Name of company	Principal activity	Proportion held
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
BWD Rensburg Limited	Non-trading	2%
BWD Rensburg Nominees Limited	Non-trading	100%
BWD Rensburg PEP Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Carr Sheppards Crosthwaite Limited	Non-trading	100%
Carr Sheppards Crosthwaite Pension Trustees Limited	Non-trading	100%
CFC Partners Limited	Venture Fund advice	100%
CSC Trustee Services Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee services	100%
Henderson Crosthwaite Limited	Non-trading	100%
Hero Nominees Limited	Nominee services	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
R S Trustees Limited	Non-trading	50%
Rensburg Client Nominees Limited	Nominee services	100%
Rensburg Unit Trust Managers Limited	Non-trading	100%
Scarwood Nominees Limited	Non-trading	100%
Sheppards & Chase Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
Yorkshire Investment Nominees Limited	Non-trading	1%

INVESTEC WEALTH & INVESTMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC WEALTH & INVESTMENT LIMITED

We have audited the financial statements of Investec Wealth & Investment Limited for the year ended 31 March 2012 set out on pages 10 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 9, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

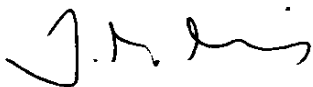
INVESTEC WEALTH & INVESTMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC WEALTH & INVESTMENT LIMITED (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.



J.M. Mills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

8 June 2012