Company Number 02122340

Investec Wealth & Investment Limited

Annual Report and Financial Statements

For the year ended
31 March 2020

INVESTEC WEALTH & INVESTMENT LIMITED

STRATEGIC REPORT

The directors have pleasure in presenting the strategic report of Investec Wealth & Investment Limited (the 'company') for the year ended 31 March 2020.

Principal activities

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

Market conditions

Prior to the onset of COVID-19, equity indices had already exhibited a degree of volatility during the period. Most of the year was characterised by uncertainty over the outcome of Brexit discussions and the heightened level of geo-political risks. Clients were naturally unsettled during that period and our priority was to ensure that they were well serviced and well prepared. Given this backdrop, private clients and intermediaries exercised caution, resulting in lower rates of growth in net new funds across the industry.

Following the conclusive election result in the UK in December, markets rose in anticipation of a future trade agreement and with greater confidence in the outcome. This resulted in a short-term increase in private client activity prior to the onset of COVID-19. It is notable that our business continued to achieve positive net organic growth in funds under management in the UK for the financial year.

Clearly the most significant challenge has come at the end of the financial year and has been the impact on clients, staff and other stakeholders from COVID-19. We are extremely proud of the way that our people have risen to this challenge and the flexibility shown in finding ways to engage clients and to meet their responsibilities.

We have long-standing relationships with the majority of our clients who have been with us through previous periods of extreme market volatility and who have shown considerable trust, resilience and understanding, with net inflows being experienced in the month of March. Our key focus has been on providing the advice and expertise which they expect and deserve, especially at times like these.

Financial performance

Revenue (net of fees and commissions payable to introducers) increased by 3.3% to £299.23 million (2019: £289.65 million). After adjusting for client relationship amortisation, impairment charges and non-recurring costs in relation to the closure of the Click & Invest digital service, underlying operating profit for the year was £64.94 million (2019 after adjusting for client relationship amortisation and impairment charges: £75.82 million), a decrease of 14.3%. The unadjusted reported profit after tax for the year was £45.44 million (2019: £23.43 million).

STRATEGIC REPORT (CONTINUED)

Financial performance (continued)

The events of the last quarter of the financial year and the sudden market contraction in March, as a result of growing concerns regarding COVID-19, continue to dominate the current operating environment and did somewhat impact business performance in the last part of the financial year.

We faced upward cost pressures in the industry and specifically an unanticipated significant increase in the Financial Services Compensation Scheme ('FSCS') levy, of almost double the prior year. In light of this and the current operating environment, management has had to strike a balance between effective cost management and the need to invest in the business for the future.

The latter included the recruitment of additional client facing staff in pursuit of long-term growth and expansion of our advice capability. In addition, planned increases in technology headcount peaked in the first half of the financial year to support specific regulatory and business driven projects, however, this has since been managed down, with that trend expected to continue into the next financial year.

On a company wide basis, in the second half of the year we launched a targeted programme to realise savings across a number of business areas.

Funds under management ('FUM') at 31 March 2020 were £32.60 billion (31 March 2019: £36.00 billion), a decrease of 9.4%. This decrease has primarily been driven by the unprecedented fall in equity markets due to COVID-19, the MSCI PIMFA Balanced index having decreased 10.3% over the year. Despite the adverse backdrop, the headline rate of net organic growth in total FUM for the year ended 31 March 2020 remained positive at 1.3% (2019: 0.4%). The rate of net organic growth within our discretionary and other managed services, which are our core services, was 1.7% (2019: 2.3%).

Discretionary funds under management at 31 March 2020 were £27.84 billion (2019 restated: £30.11 billion), a decrease of 7.5%, and non-discretionary funds under management were £4.76 billion (2019: £5.89 billion), a decrease of 19.2%. The proportion of funds managed on a discretionary basis has increased to 85.4% (2019: 83.6%).

STRATEGIC REPORT (CONTINUED)

Key performance indicators

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

	Year ended 31 March 2020	Year ended 31 March 2019	Change
Funds under management [1]	**£32.60bn**	£36.00bn	-9.4%
MSCI PIMFA Private Investor Balanced index [2]	**1,423.0**	1,587.0	-10.3%
FTSE All-Share index [2]	**3,107.4**	3,978.3	-21.9%
Underlying rate of net organic growth in total funds under management [3]	**+1.3%**	+0.4%	N/A
% of total funds managed on a discretionary basis	**85.4%**	83.6%	N/A
Underlying operating profit [4]	**£64.94m**	£75.82m	-14.3%
Underlying operating profit [4] as a % of net revenue	**21.7%**	26.2%	N/A
Profit before taxation	**£57.92m**	£36.73m	+57.7%

1 Includes the full value of assets that are managed jointly with other entities within the Investec group as at the year end. For the purposes of consolidated reporting by the Investec group, these assets are split and recognised across multiple jurisdictions. Consequently, only a portion of these assets are recognised as being UK managed on a consolidated basis.
2 As at the year end.
3 Net organic inflows less outflows (excluding exceptional inflows/outflows) as a percentage of the opening funds under management.
4 Prior to client relationship amortisation of £5.06m, impairment charges of £4.66m and non-recurring costs in relation to the closure of the Click & Invest digital service of £1.89m (year ended 31 March 2019: prior to client relationship amortisation of £5.06m and impairment charges of £34.58m).

Funds under management:

	2020 £bn	2019 £bn
At 1 April	**36.00**	34.98
Net organic inflows at cost	**0.48**	0.13
Market adjustment [1]	**(3.88)**	0.89
At 31 March	**32.60**	36.00
Underlying rate of net organic growth [2]	**+1.3%**	+0.4%

1 Impact of market movement and relative investment performance.
2 Net organic inflows (excluding exceptional inflows/outflows) as a percentage of the opening funds under management.

STRATEGIC REPORT (CONTINUED)

Strategic developments

During the year, we established a new strategic transformation team to drive growth and implement our initiatives at speed. A key priority was the development of a new service offering to address future wealth planning needs of both existing and new clients. A pilot of this new service offering commenced in May 2020 and is currently underway.

At a regional level, we have continued the strategy of hiring individuals to support growth and we have established a new office in Bristol, a strategic location in the South West, migrating from the existing office in Bath.

Within our intermediaries division, a key source of growth, we took the decision to expand our offering and are launching a new Managed Portfolio Service for IFAs, available on leading platforms, to complement our successful and award winning Discretionary Fund Management ('DFM') service.

Connectivity with the Private Bank and other parts of the Investec group remains a key focus and we identified specific client segments as priority for collaboration. We have strengthened our international wealth proposition which will be led out of the UK, but will draw together all the relevant services of Investec across the Bank and Wealth businesses internationally.

During the course of the year we strengthened our Environmental, Social and Governance ('ESG') research process, in line with a greater consciousness for ethical, sustainable and sound governance-based investments.

We have accelerated our investment in our critical technology and digital programmes. In September 2019, we launched a new platform to streamline and enhance client documentation and investment proposals. A further development was to reduce the amount of paperwork for clients, with an increased number of clients subscribing to our online services. We also completed the migration to the new Investec online portal and the roll out of our upgraded electronic filing systems.

As a result of COVID-19 the vast majority of our staff have been working from home and keeping in regular contact with clients remotely. Our systems have proven robust and the transition to remote working has been relatively seamless.

Outlook

Our purpose is to help relieve clients from the burden (and potential anxiety) of looking after their financial affairs and we believe this role will be even more important in the recovery period following COVID-19.

STRATEGIC REPORT (CONTINUED)

Outlook (continued)

Whilst it is not possible to predict exactly how we may need to navigate the post COVID-19 environment, our fundamental objectives remain unchanged:

- Acceleration of our Financial Planning and Advice capabilities as the demand for wider advice continues to grow;
- Delivering excellent client service and increasing the scope of our offering for intermediary clients, which should accelerate our growth in this segment;
- Continued enhancements to our digital and technology platforms in order to ensure that we are fit for the future, not just the present;
- Commitment to delivering 'One Investec', through enhanced collaboration across the global Wealth & Investment business as well as with the wider Investec group;
- Vigilance regarding cost control.

Much of the future outlook is clearly dependent on the development of the COVID-19 virus and progress in controlling the pandemic. The outcome of this effort and the consequent impact on financial markets will be the largest determinant of the impact on performance of the business in the coming financial year.

Nevertheless, we approach the future confident that we have the skills and experience to navigate these unprecedented circumstances. The business has strong foundations, honed over many years and the support of a very loyal client franchise, both direct and via intermediaries. The balance sheet is resilient and liquidity robust.

We also expect that there will be opportunities emerging from the pandemic – increasing demand for advice and more rapid digitalisation, for example – and we are positioning ourselves to capitalise on those. However, most importantly, our prime objective remains to support and stay close to our clients, to ensure we continue to deliver the excellence of service that they expect and value.

Board changes

The new financial year has started with a leadership transition. After more than 20 years with the business, including the past decade as Chief Executive Officer (CEO), Jonathan Wragg stepped down from his position as CEO on 31 March 2020. He is succeeded by Ciaran Whelan (former Investec group Chief Operating Officer), subject to regulatory approval. Jonathan and Ciaran will be working together through a handover period to 30 June 2020.

Section 172(1) General duties of directors

In making its decisions throughout the year, the board has considered and balanced the views and interests gained through its stakeholder engagement as well as the need to promote the long-term success of the company. Further information on how the directors have performed their duties under the requirements of section 172(1) of the Companies Act 2006 are set out in the Climate, environmental and social initiatives section below and in the Directors' Report on pages 11 to 13.

Climate, environmental and social initiatives

Our charitable trust has provided support throughout the year, with donations to good causes and by supporting our communities with a range of initiatives, both locally and nationally. We actively encourage our staff across the UK to get involved within their communities by providing financial support and by using volunteering days granted by the company. This has led to charitable, environmental and educational projects that have been initiated by our staff. We also ran an annual 'student week' in a number of our offices providing support to undergraduates by helping them gain a better understanding on a number of topics relating to the financial world within a commercial environment.

The company is committed to managing its portfolios in a prudent and responsible manner to ensure the long-term health and stability of the market as a whole. Our investment process has long taken into consideration a number of key factors such as financial and non-financial performance and risk, capital structure and corporate governance metrics. We believe that failing to adhere to sound business practices will harm a company from a financial point of view, or in terms of reputation, with a consequent negative impact on investment returns. This is bolstered by input from third party service providers who score each of the companies in our core research universe on a variety of ESG metrics including environmental credentials, business ethics and human rights issues. This allows us to add a quantitative ESG overlay to our normal assessment of a company's investment appeal in the broadest sense.

Further to this, our charities business has always had a key focus on responsible investing. ESG factors are incorporated into our standard investment process, from which all clients benefit. We also have the ability to add specific additional restrictions on a client-by-client basis, which is a key benefit of our bespoke approach. We have been working with charities in the UK for more than 80 years and, at 31 March 2020, managed £2.9 billion on behalf of over 1,160 charities. We work closely with each charity client to create an investment portfolio that is tailored to their needs, aims and ethical considerations.

Principal 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 and have been reconsidered in light of the recent events in relation to COVID-19.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

The principal risks and uncertainties, as set out below, remain unchanged. 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 principal 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, a public censure by the regulator, or an operational event, such as a breach of the company's IT infrastructure. This risk is mitigated by the company's internal control procedures and strong service ethos, demonstrated by its professionally qualified and experienced staff who operate in an environment where compliance is given the highest priority and are supported by a strong internal research function and appropriate investment committees. We continue to invest significant resources into our digital security infrastructure.

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 variable, discretionary remuneration. The company does not undertake any significant principal account trading and hence the potential risk to the company's own assets from market movements is not considered to be material.

3. Regulatory risk, 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 appropriately in new service offerings and 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.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

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, disaster recovery, and the specific risks associated with cybercrime, are areas where we invest significant management time and financial resources to mitigate this risk.

   With regard to settlement and the support functions, the adequacy and operation of our internal processes are kept under regular review by both management and the internal auditors.

6. Fraud risk (including that relating to cybercrime), mainly in relation to a potential misappropriation of assets, that follows from holding significant cash and securities both on the company's own behalf and on behalf of our clients. This risk is mitigated by appropriate segregation of duties, the company's internal control procedures, particularly in relation to changes to client standing data and external payments, regular reconciliations of both firm and client assets, significant levels of insurance carried by the company and the detailed personal knowledge 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 are considered in the directors' report.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

The specific risks and uncertainties that have presented themselves, or have been heightened by COVID-19, and the mitigating actions to address those risks, are set out below:

Area	Risk	Mitigating actions
Operational resilience and control environment	• Inability to sustain a prolonged period of remote working • Potential key man dependencies through sickness or reduced working capacity • Interim temporary processes being introduced	• Proactive monitoring of infrastructure and system capabilities, which have proved resilient to supporting remote working • Prioritisation of system access and bandwidth capacity (if required) • Support provided to employees to obtain the necessary equipment to work from home effectively • Regular communication with employees and specific initiatives to support wellbeing • In the small number of cases where home working was not possible, development of 'A' & 'B' team structure to reduce key man risk and ensure continuity through periods of absence • New or adapted control processes and oversight mechanisms established
Financial crime and fraud	• Heightened fraud and market abuse risks as fraudsters take advantage of the current COVID-19 environment	• Additional internal communications to enhance fraud awareness • Website changes to enhance client awareness
Conduct	• Volatility in markets, leading to unsuitable or poor investment decisions	• Continued compliance reviews
Change management	• Significant delays or inability to deliver strategic initiatives during a period of lockdown	• Specific resources allocated to delivering strategic change • Rapid enhancement of remote working capabilities and use of digital collaboration tools

By order of the board

I.W. Hooley
Director
9 June 2020

DIRECTORS' REPORT

The directors have pleasure in presenting the directors' report and the financial statements for the year ended 31 March 2020.

Results, dividends and future developments

The results for the year are set out on page 19. For further details of financial performance, including future strategic developments and outlook, please refer to the strategic report on pages 1 to 9.

Interim dividends amounting to £35.0 million (2019: £33.0 million) were declared and paid during the year ended 31 March 2020. The directors are not recommending the payment of a final dividend (2019: £nil).

Post balance sheet event – COVID 19

The company maintains a strong capital base, with net assets of £198.70m, including cash and cash equivalents, the majority of which are held on call, of £147.94m at 31 March 2020.

The directors continue to closely monitor the impact of COVID-19 on the operations of the business, its clients, staff and other stakeholders. As set out in note 1(b) to the financial statements, the directors consider that the company is well positioned to successfully manage the risks that the business faces. The company's forecasts of profitability, cash and regulatory capital, which cover a period exceeding twelve months from the date that the financial statements are approved, take into account the current operating environment and economic conditions, including the expected impact of the COVID-19 pandemic, and have been stress tested for the potential further adverse impact on trading performance that could result from COVID-19 or other circumstances beyond those expected. Those forecasts show that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The company is regulated by the Financial Conduct Authority ('FCA'). The company's regulatory capital resources and its regulatory capital requirement are calculated in accordance with the FCA's rules. The company is also required to perform an Internal Capital Adequacy Assessment Process ('ICAAP'), which includes a range of stress tests, in order to determine the appropriate level of regulatory capital that the business is required to hold. Through to the date of signing of these financial statements, the company's regulatory capital resources have significantly exceeded the FCA's regulatory capital requirement. At 31 March 2020, resources equated to 152% of the requirement.

Financial risk management

The company's financial instruments are subject to financial risks, comprising credit, liquidity, interest rate and price risks. The associated key controls are described in detail in note 24 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

Directors

The directors who held office during the year and through to the date of signing of these financial statements were as follows:

E.M. Catchpole *	
P.K.O. Crosthwaite *	(Appointed 1 April 2020)
S.M. Elliott	
L.D. Hall	
I.W. Hooley	
R. Lister *	
M.A. Mackay	
T. May *	
J.E. Price	
M. Rigby	
A.P. Rydon	
T.H. Street	
C.H. Thorpe *	
D.M. van der Walt *	(Appointed 1 April 2020 and resigned 4 June 2020)
N.J. Warren	
J.P. Wragg	(Resigned 31 March 2020)

The appointment of J.K.C. Whelan to the board is subject to obtaining the necessary regulatory approval.

* Non-executive.

Secretary

S. R. Kilday

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.

Workforce engagement

The company's Nomination Committee considered, in conjunction with the Investec group Nomination and Directors' Affairs Committee, how the board would further engage with our people, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as to the appropriate method. The board agreed, noting the recommended methods for workforce engagement provided by the UK Corporate Governance Code, that a designated non-executive director be appointed to support the directors' engagement with our people. It was agreed by the board that Cath Thorpe would be the designated non-executive director for workforce engagement.

DIRECTORS' REPORT (CONTINUED)

Workforce engagement (continued)

The board identified the current engagement activities, which included culture dialogues, diversity and inclusion programmes, talent programmes, country and site visits, "town halls", and question and answer sessions. Enhancements to these existing engagement activities were agreed, to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting has been established, with management and the designated non-executive director in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Cath Thorpe subsequently reports to the board on the engagement activities, highlighting the matters of interest from our people, to support the board's key decision making. A second quarterly workforce engagement synthesis meeting is also held with Cath Thorpe and the designated non-executive director for workforce engagement for both the banking business and also the board of the Investec group, to ensure that the matters of interest to our people are considered across the Investec group.

The board utilised the matters of interest to our people to inform its discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engages with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remains connected and engaged with our people whilst the majority of the workforce work from home.

Training and development

Managing and developing the performance of the company's employees through our professional development process 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. Ongoing 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.

DIRECTORS' REPORT (CONTINUED)

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 has a dedicated team to oversee diversity and inclusion across the business and the wider Investec group.

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, the company would support and accommodate, wherever practicable, for them to continue their employment with the company, including the provision of appropriate training and adaptation of the workplace where necessary.

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 aims to help employees to balance their work and personal lives. The company has an established 'Wellbeing' programme, which is aimed at making employees feel healthier, balanced and more fulfilled in their lives at work and beyond. Flexible working is accommodated where appropriate. Other initiatives are also provided such as a childcare voucher scheme, a 'Ride 2 Work' scheme, and interest-free loans for travel season tickets to assist with the use of public transport.

Streamlined energy and carbon reporting ('SECR')

The company's ultimate parent undertaking, Investec plc, reports under the SECR framework on a consolidated basis. The company is therefore not required to disclose how it has complied with the requirements of the SECR framework in the report and financial statements of Investec Wealth & Investment Limited.

DIRECTORS' REPORT (CONTINUED)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

DIRECTORS' REPORT (CONTINUED)

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

The directors' intention is that KPMG LLP will stand down as auditor of the company and that Ernst & Young LLP will be formally appointed as the incumbent auditor of the company in the period following the approval of these financial statements.

By order of the board

I.W. Hooley
Director
9 June 2020

30 Gresham Street
London
EC2V 7QN

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

Opinion

We have audited the financial statements of Investec Wealth & Investment Limited ("the company") for the year ended 31 March 2020 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One St. Peter's Square
Manchester
M2 3AE

9 June 2020

INVESTEC WEALTH & INVESTMENT LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Revenue		**299,232**	289,646
Client relationships amortisation	11	**(5,064)**	(5,064)
Impairment of investments in subsidiaries	13	**(4,169)**	(28,557)
Impairment of intangible assets	11	**(486)**	(6,021)
Non-recurring closure costs	7	**(1,890)**	-
Other operating expenses		**(234,505)**	(214,167)
Total administrative expenses		**(246,114)**	(253,809)
Other income		**181**	342
Gain on IFRS 16 lease modifications		**29**	-
Operating profit	7	**53,328**	36,179
Dividends from subsidiaries	13	**4,345**	-
Finance income	8	**1,063**	593
Finance expense	8	**(817)**	(43)
Finance income - net	8	**246**	550
Profit before taxation		**57,919**	36,729
Income tax expense	9	**(12,479)**	(13,300)
Profit for the financial year		**45,440**	23,429

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 23 to 62 form an integral part of these financial statements.

INVESTEC WEALTH & INVESTMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		**45,440**	23,429
Other comprehensive income: items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on post-retirement benefit liability	20	**32**	(19)
Other comprehensive income/(expense) income for the year, net of tax		**32**	(19)
Total comprehensive income for the year		**45,472**	23,410

The notes on pages 23 to 62 form an integral part of these financial statements.

INVESTEC WEALTH & INVESTMENT LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	11	**77,461**	83,000
Property, plant and equipment	12	**50,074**	10,518
Investment in subsidiaries	13	**1,508**	5,677
Fair value through profit or loss investments	14	**640**	640
		129,683	99,835
CURRENT ASSETS			
Trade and other receivables	15	**290,926**	221,618
Cash and cash equivalents		**147,938**	147,772
		438,864	369,390
CREDITORS:			
Amounts falling due within one year	17	**(310,785)**	(265,176)
NET CURRENT ASSETS		**128,079**	104,214
TOTAL ASSETS LESS CURRENT LIABILITIES		**257,762**	204,049
CREDITORS:			
Amounts falling due after one year	18	**(46,906)**	(3,984)
PROVISIONS FOR LIABILITIES AND CHARGES	20	**(12,160)**	(11,096)
NET ASSETS		**198,696**	188,969
EQUITY			
Share capital	22	**10,455**	10,455
Share premium		**125,428**	125,428
Retained earnings		**62,813**	53,086
TOTAL SHAREHOLDER'S FUNDS		**198,696**	188,969

The notes on pages 23 to 62 form an integral part of these financial statements. The financial statements on pages 19 to 62 were authorised for issue by the board of directors on 9 June 2020 and were signed on its behalf by:

I.W. Hooley
Director
9 June 2020

Company registration number: 02122340
Registered office: 30 Gresham Street, London, EC2V 7QN

INVESTEC WEALTH & INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Share capital £'000	Share premium £'000	Available -for-sale reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018		10,455	125,428	518	62,206	198,607
Reclassification on adoption of IFRS 9		-	-	(518)	518	-
Dividends	10	-	-	-	(33,000)	(33,000)
Total comprehensive income for the year		-	-	-	23,410	23,410
Taxation on share options recognised directly in equity	9	-	-	-	(48)	(48)
At 31 March 2019		10,455	125,428	-	53,086	188,969
At 1 April 2019		**10,455**	**125,428**	**-**	**53,086**	**188,969**
Dividends	**10**	**-**	**-**	**-**	**(35,000)**	**(35,000)**
Total comprehensive income for the year		**-**	**-**	**-**	**45,472**	**45,472**
IAS 19 long-term employee benefit charge	**21**	**-**	**-**	**-**	**(745)**	**(745)**
At 31 March 2020		**10,455**	**125,428**	**-**	**62,813**	**198,696**

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of preparation

Investec Wealth & Investment Limited is a private company limited by shares and is registered in England and Wales.

The company's financial statements are presented in British pounds sterling (£), which is also the company's functional currency, and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and applicable accounting standards. They are prepared under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

IFRS 16 'Leases' is a new accounting standard that is effective for the year ended 31 March 2020. The impact of this new standard on the company is set out in note 30. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a) (iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property Plant and Equipment'; and
  - (iii) paragraph 118 (e) of IAS 38 'Intangibles Assets' (reconciliations between the carrying amount at the beginning and end of the period).

1. Principal accounting policies (continued)

(a) Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (statement of cash flows);
    - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B-D (minimum and additional comparative information);
    - 40A-D (requirements for a third statement of financial position); and
    - 111 (cash flow statement information).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member ; and
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

Investec Wealth & Investment Limited is a financial institution as defined by FRS 101 and is therefore not exempt from the disclosure requirements of IFRS 7 'Financial instruments': Disclosures, IFRS 13 'Fair value measurement' (paragraphs 91 to 99 - to the extent that they apply to financial instruments), and paragraphs 134 to 136 (capital management disclosures) of IAS 1 'Presentation of financial statements'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(b) Going concern

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 2021. These forecasts take into account the current operating environment and economic conditions, including the expected impact of the COVID-19 pandemic, and have been stress tested for the potential further adverse impact on trading performance that could result from COVID-19 or other circumstances beyond those expected.

The financial position of the company, together with details of the key risks and uncertainties faced by the business, are set out in the strategic report on pages 1 to 9. Details of the company's liquidity and financial risk management procedures are set out in note 24. The company has substantial cash resources, the majority of which are held on call, with these deposits being spread across a range of the higher rated banks.

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.

(c) Group accounts

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Investec Wealth & Investment Limited is a wholly-owned subsidiary of Rensburg Sheppards plc and of its ultimate parent, Investec plc. The registered office of both of these entities is 30 Gresham Street, London, EC2V 7QP. The results of Investec Wealth & Investment Limited are included in the consolidated financial statements of Investec plc which are publicly available. See note 27 for further details.

(d) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue in line with the provision of the service to the customer over the duration of the contract. Investment management fees are recognised in the period in which the related service is provided, net of VAT. Effort to satisfy performance obligations is expended evenly throughout the performance period and therefore performance obligations are considered to be satisfied evenly over time. Commission and other transaction-driven revenue is recognised, net of VAT, once the related transaction has been performed.

1. Principal accounting policies (continued)

(d) Revenue recognition (continued)

Interest received in the ordinary course of investment management business is included within revenue and is calculated and recognised on an accruals basis.

(e) Other income

Other income comprises grant income receivable from HM Revenue & Customs in relation to Research & Development Expenditure ('RDEC') credits and other income not derived from ordinary trading activities.

(f) Finance income and expenses

Finance income comprises interest earned on cash deposits, dividends received from equity investments and investments in subsidiaries and other income arising from financial assets. Finance expenses comprise interest payable on bank loans and overdrafts, interest charges implicit within right-of-use asset leases, and other costs arising in respect of financial liabilities, including the unwinding of the discount rate on long-term liabilities where relevant. Interest income and expenses are recognised in the income statement in the period to which they relate. Dividend income is recognised when the right to receive payment is established.

(g) Leases

IFRS 16 'Leases' became effective for the company on 1 April 2019 (the 'date of transition'). Full details of the impact of the transition are set out in note 30.

Accounting policy applicable from 1 April 2019:

For any new contracts entered into on or after 1 April 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- The contract involves the use of an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;

- The company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and

- The company has the right to direct the use of the identified asset. The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(g) Leases (continued)

Measurement and recognition of leases where the company is lessee:

At the lease commencement date, the company recognises a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to restore the asset at the end of the lease, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful economic life of the right-of-use asset or the end of the lease term. The company assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate. Lease payments comprise fixed payments (including payments that are in substance, fixed), variable lease payments that depend upon an index or rate, and payments arising from options that are reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 month or less and leases of low value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policy prior to 31 March 2019:

In the comparative period, all leases were categorised as operating leases and consequently were not recognised in the statement of financial position. Payments made under operating leases were charged to the income statement in the period to which they relate.

(h) Dividends

Final dividends payable to the company's shareholder 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 shareholder. Interim dividends are recognised in the period in which they are paid.

1. Principal accounting policies (continued)

(i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the statement of financial position 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 income statement.

(j) Intangible assets

Goodwill

Goodwill arising on business combinations, representing the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment in accordance with IAS 36 'Impairment of assets'. This is not in accordance with The Large and Medium-sized companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Client relationships

Client relationship assets acquired in a business combination are recognised at fair value at the acquisition date. Such assets are considered to have a finite useful economic life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the client relationships over their estimated useful economic lives, currently between 8 and 20 years.

Computer software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software, and are subsequently measured at cost less accumulated amortisation and impairment losses. Capitalised costs are amortised over their estimated useful lives of up to 5 years.

(k) Property, plant and equipment

The cost of property, plant and equipment represents expenditure that is directly related to the purchase of the asset and is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that future economic benefits will arise as a result of the expenditure, otherwise it is expensed through the income statement at the time it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(k) Property, plant and equipment (continued)

Depreciation has been calculated to write off the cost or revalued amount of property, plant and equipment over the assets' expected useful economic lives, or in respect of right-of-use assets, the shorter of the useful economic life and the lease term, on a straight-line basis to their residual values at the following annual rates:

Fixtures and fittings	Up to 10 years
Computer hardware	Up to 5 years
Right-of-use assets	Up to 15 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

(l) Impairment of non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Where there is an indication that an asset may be impaired, the company must establish whether the carrying value of the asset exceeds its estimated recoverable amount, which is the greater of an asset's value in use and its fair value less costs of disposal. Goodwill and intangible assets with an indefinite economic life are required to be tested for impairment annually.

The purpose of an impairment review is to establish whether the carrying value of an asset exceeds the estimated recoverable amount, which is the greater of an asset's value in use and its fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows, being Cash Generating Units (CGUs).

Impairment losses relating to assets carried at valuation are first allocated against any valuation surplus directly in reserves, with the balance of the impairment loss being recognised in the income statement. Impairment losses relating to assets carried at depreciated historic cost are recognised in the income statement immediately.

Should the recoverable amount of an asset that has previously been impaired subsequently exceed its carrying value, the impairment loss previously recognised may only be reversed where there has been a change in the estimates used to determine the asset's recoverable amount. Such impairment losses would only be reversed to the extent that the asset's recoverable amount exceeds its carrying value, net of depreciation and amortisation, that would have applied had no impairment loss originally been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(m) Investments in subsidiary undertakings

Investments in subsidiary undertakings are initially recognised in the financial statements of the company at cost and subsequently at cost less accumulated impairment losses. Dividends paid by subsidiaries to the company are recognised as income of the company in the period in which they are received.

(n) Financial assets

Financial assets are initially recognised at their fair value and are categorised as either at fair value through profit or loss or at amortised cost, depending upon the company's business model for managing the financial assets and the contractual terms of the associated cash flows.

Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the company has access at that date.

Financial assets at fair value through profit or loss

Financial assets classified as at fair value through profit or loss comprise unlisted equity investments for which the company has chosen not to elect to recognise fair value gains and losses through other comprehensive income.

The fair value of unlisted equity investments is estimated by reference to recent arm's length transactions or other market information. Where no such information is available, the fair value of an unlisted investment is estimated using established valuation techniques.

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost where both of the following criteria are met:

- The asset is held with the objective of collecting contractual cash flows; and
- The contractual terms give rise to cash flows that represent solely payments of principal and interest.

Financial assets at amortised cost comprise 'trade and other receivables' and 'cash and cash equivalents'.

(o) Impairment of financial assets

The company applies the simplified approach within IFRS 9 'Financial Instruments' to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

1. **Principal accounting policies (continued)**

(p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, where such subsequent measurement would result in a material difference to the carrying value of the asset.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and financial institutions with a maturity of up to three months. Cash balances are included in the financial statements net of monies held on behalf of clients.

(r) Financial liabilities

Financial liabilities comprising trade and other payables are recognised initially at fair value, which is the agreed market price at the time goods or services are provided and are subsequently measured at amortised cost using the effective interest rate method, where such subsequent measurement would result in a material difference to the carrying value of the liability. The company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

(s) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds. Current tax represents the expected tax payable on profits chargeable to corporation tax, using the rate of taxation enacted at the statement of financial position date, net of any adjustments to tax payable in respect of prior years.

Deferred tax reflects the tax that is anticipated to be payable or recoverable in the future as a result of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profits. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences giving rise to tax.

Deferred tax assets are recognised only to the extent that the directors consider it to be probable that there will be suitable taxable profits in the future against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference relates to investments in subsidiaries or the initial recognition of goodwill to the extent that they will probably not reverse in the foreseeable future. The carrying amounts of deferred tax assets and liabilities are reviewed at each statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(s) Taxation (continued)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated using the rates of taxation enacted or substantively enacted at the statement of financial position date in respect of the periods over which it is anticipated that the related assets and liabilities giving rise to deferred tax will unwind.

(t) Share-based payments

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.

Fair value measurements are based on option pricing models, taking into account the risk-free rate, volatility of the underlying equity instrument, expected dividends and current share prices. The fair value is calculated at the date of grant of the award and is charged to the income statement over the period during which the employee becomes unconditionally entitled to the award (the 'vesting period'). The corresponding credit is recognised directly in the income statement 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 income statement 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 income statement 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.

(u) Pensions

The company only operates defined contribution pension schemes and contributions are charged to the income statement in the period to which they relate.

(v) Provisions

Provisions are recognised when a present obligation exists at the statement of financial position date, either legal or constructive, that can be reliably measured and is the result of a past event, and where it is probable that a transfer of economic benefits will result. The estimated value of a provision at the statement of financial position date is established by discounting the expected future cash flows at a pre-tax discount rate appropriate to the circumstances where the effect of discounting is material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

(v) Provisions (continued)

Provisions for long-term employee benefit and post-retirement benefit arrangements are measured in accordance with IAS 19 'Employee benefits'. The estimated value of long-term employee benefit and post-retirement benefit provisions is established by discounting the expected future cash flows using an appropriate discount rate. Actuarial gains and losses related to these liabilities are recognised through the statement of comprehensive income.

The increase in provisions due to the discount rate unwinding through the passage of time is recognised as a finance expense in the income statement.

(w) Share capital

Ordinary shares of the company are classified as equity. Share capital represents the nominal value of shares issued. Where shares are issued at an amount greater than their nominal value, the surplus is credited to the share premium account. Costs directly incurred in respect of shares issued are recognised as a deduction from the issue proceeds.

(x) Other reserves

The nature and purpose of each reserve can be summarised as follows:

Share premium

Where shares are issued for an amount exceeding their nominal value, the excess is recorded in the share premium account, less any direct costs of issue. This reserve is not considered to be distributable.

Retained earnings

This reserve records all income, expenses, gains and losses recognised in the income statement and the statement of comprehensive income and is net of dividends paid to shareholders. This reserve is distributable.

2. Critical accounting judgements and key sources of estimation and uncertainty

Estimates and judgements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill
In accordance with IAS 36 'Impairment of assets', goodwill is required to be tested annually for impairment. Impairment exists when the carrying value of the cash-generating unit ('CGU') containing the goodwill exceeds its recoverable amount, being the higher of its fair value less costs of disposal and its value in use.

The company uses value in use to determine recoverable amount. The preparation of long-term forecasts requires management to exercise a significant degree of judgement in estimating both the amount and timing of future cash flows and also in respect of the discount rate that is applied to those cash flows. The conclusion of the impairment tests at 31 March 2020 was that no impairment exists.

The pre-tax discount rate applied to the long-term forecasts would need to increase by approximately 10 percentage points, or the present value of the future cash flows (at the unsensitised discount rate applied in the impairment tests) would need to decrease by approximately 60%, in order for the carrying value of the CGU to exceed the discounted value of future cash flows and therefore impairment to exist.

Lease accounting
Lease payments are discounted using the company's incremental borrowing rate, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions attached.

The company used incremental borrowing rates specific to each lease. The average rate applied to all leases held at 31 March 2020 was 1.7%. A 25 basis point increase/(decrease) in the rate would cause the lease liabilities to increase/(decrease) by £0.6mn, with a corresponding (decrease)/increase in the value of right-of-use assets of the same amount.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are included in the lease term if the lease is reasonably certain to be extended (or not terminated). Generally, this assessment gives consideration to the value of any leasehold improvements that will remain at the extension or termination date, historical lease durations and the costs and business disruption associated with replacing the leased asset.

2. **Critical accounting judgements and key sources of estimation and uncertainty (continued)**

   The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the company. During the year, there have been no such reassessments.

3. **Financial instruments**

   The company's unlisted equity investments are measured at fair value through profit or loss. There has been no change in the fair value of these investments during the year. The company has no financial liabilities measured at fair value through profit or loss.

   The company has not recognised any impairment gains or losses on its financial assets or financial liabilities in profit and loss during the current or prior year.

4. **Segmental reporting**

   The company's activities consist of investment management and financial planning services within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Employee information

(a) The average number of persons employed by the company, including directors, during the year was 1,338 (2019: 1,301). The actual number of persons employed at 31 March 2020 was 1,337 (2019: 1,328).

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

	2020	2019
	£'000	£'000
Wages and salaries	**129,046**	129,125
Social security costs	**16,141**	16,361
Other pension costs	**10,091**	9,550
Share-based charges	**4,819**	3,732
	160,097	158,768

Employment costs disclosed above exclude redundancy costs associated with the closure of the Click & Invest digital service, which are included within non-recurring closure costs (see note 7).

Within employment costs disclosed above are amounts relating to employees who have contracts of service with the company, but where the cost, or an element of the cost, is recharged to other companies within the Investec group. These employees are remunerated by the company but perform duties either wholly or partly on behalf of other group companies. Employment costs of £2,446,000 (2019: £1,685,000) have been recharged during the year ended 31 March 2020 to other Investec group companies. In the prior year, employment costs of £4,119,000 were also recharged to Investec Click & Invest Limited, a wholly-owned subsidiary.

In addition to the employment costs disclosed above, the company also receives recharges of employment costs in relation to employees who have contracts of service with other companies within the Investec group, but that perform duties either wholly or partly on behalf of the company. Employment costs of £194,000 (2019: £nil) have been recharged to the company during the year ended 31 March 2020 by other Investec group companies.

No amounts payable to defined contribution pension funds were outstanding at the end of the financial year (2019: £484,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Directors' emoluments

	2020 £'000	2019 £'000
Highest paid director:		
Emoluments	954	1,144
Pension contributions	8	-
Directors including highest paid director:		
Emoluments	6,210	6,674
Pension contributions	57	198

9 directors (2019: 9), including the highest paid director, have exercised share options during the year. Amounts payable to directors in respect of loss of office amounted to £388,000 (2019: £nil).

At 31 March 2020 there were no directors (2019: 7) to whom retirement benefits were accruing under defined contribution pension schemes.

7. Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Audit of these financial statements	122	99
Share-based charges	4,968	3,732
Impairment of investments in subsidiaries (note 13)	4,169	28,557
Impairment of intangible assets (note 11)	486	6,021
Amortisation of intangible fixed assets	5,582	5,620
Depreciation of tangible fixed assets	7,514	2,873
Loss on disposal of property, plant and equipment	105	97
Non-recurring closure costs	1,890	-
Operating lease rentals – property	-	5,074
Operating lease rentals – short-term/low value assets	65	118

Non-recurring closure costs of £1,890,000 (2019: £nil) relate to the closure of the Click & Invest digital service. The closure process commenced in May 2019 and was concluded during the year.

Fees paid to the company's auditor, KPMG LLP, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Finance income and expense

	2020 £'000	2019 £'000
Interest receivable on bank deposits	**1,063**	593
Finance income	**1,063**	593
Interest payable on bank loans and overdrafts	**(1)**	(4)
Lease liabilities	**(779)**	-
Interest expense on post-retirement benefit provision (note 20)	**(37)**	(39)
Finance expense	**(817)**	(43)
Finance income - net	**246**	550

9. Income tax expense

The income tax expense on profit, charged to the income statement during the year, is as follows:

	2020 £'000	2019 £'000
Current tax:		
United Kingdom current corporation tax at 19% (2019: 19%)	**12,589**	13,675
Adjustment in respect of prior years	**(79)**	46
Total current tax	**12,510**	13,721
Deferred tax:		
Origination and reversal of temporary differences	**181**	(157)
Adjustment in respect of prior years	**(212)**	(264)
Total deferred tax	**(31)**	(421)
Total income tax expense	**12,479**	13,300

9. Income tax expense (continued)

The total tax expense in the income statement for the year ended 31 March 2020 is higher (2019: higher) than the amount calculated by applying the standard UK corporation tax rate of 19% (2019: 19%). The difference can be reconciled as follows:

	2020 £'000	2019 £'000
Profit before taxation	57,919	36,729
Tax on profit before taxation at 19% (2019: 19%)	11,005	6,979
Effect of:		
Expenses not tax deductible	1,698	6,209
Income not chargeable to tax	(860)	-
Effect of future rate adjustments	235	53
Share-based charges	692	277
Adjustments in respect of prior years	(291)	(218)
Total tax expense in the income statement	12,479	13,300

The income tax income recognised directly in equity is as follows:

	2020 £'000	2019 £'000
Deferred tax expense:		
Origination and reversal of temporary differences	-	(48)
Total tax income included in equity	-	(48)

10. Dividends

	2020 £'000	2019 £'000
Equity dividends on ordinary shares:		
Interim dividends paid: £3.35 per share (2019: £3.16 per share)	35,000	33,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Intangible assets

	Goodwill £'000	Client relationships £'000	Computer software £'000	Total £'000
Cost:				
At 1 April 2019	54,220	63,651	12,627	130,498
Additions	-	-	529	529
Disposals	-	-	(11,121)	(11,121)
At 31 March 2020	**54,220**	**63,651**	**2,035**	**119,906**
Amortisation:				
At 1 April 2019	-	35,915	11,583	47,498
Charge for the year	-	5,064	518	5,582
Impairment	-	-	486	486
Disposals	-	-	(11,121)	(11,121)
At 31 March 2020	**-**	**40,979**	**1,466**	**42,445**
Net book value:				
At 31 March 2020	**54,220**	**22,672**	**569**	**77,461**
Net book value:				
At 31 March 2019	54,220	27,736	1,044	83,000

The process of closing the Click & Investec service commenced in May 2019. As a consequence of the closure, all assets carried in respect of that service were considered to be impaired and were fully-written down. This gave rise to an impairment charge during the year ended 31 March 2020 of £486,000 (2019: £6,021,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant & equipment

	Right-of-use assets: premises	Computer hardware	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2019	-	10,699	15,260	25,959
Additions	44,779	1,510	1,048	47,337
Disposals	(347)	(3,352)	(537)	(4,236)
At 31 March 2020	**44,432**	**8,857**	**15,771**	**69,060**
Depreciation:				
At 1 April 2019	-	8,040	7,401	15,441
Charge for the year	4,572	1,109	1,833	7,514
Disposals	(186)	(3,329)	(454)	(3,969)
At 31 March 2020	**4,386**	**5,820**	**8,780**	**18,986**
Net book value:				
At 31 March 2020	**40,046**	**3,037**	**6,991**	**50,074**
Net book value:				
At 31 March 2019	-	2,659	7,859	10,518

13. Investment in subsidiaries

	2020	2019
	£'000	£'000
Cost:		
At 1 April	**60,303**	48,303
Additions	**-**	12,000
At 31 March	**60,303**	60,303
Impairments:		
At 1 April	**54,626**	26,069
Charge for the year	**4,169**	28,557
At 31 March	**58,795**	54,626
Net book value:		
Carried forward at 31 March	**1,508**	5,677
Brought forward at 1 April	**5,677**	22,234

13. Investment in subsidiaries (continued)

The impairment charge for the year comprises £3,977,000 and £192,000 in relation to the company's investments in Investec Click & Invest Limited ('IC&I') and Williams de Broë Limited ('WdB') respectively.

During the year the company received a dividend of £4,153,000 from IC&I and £192,000 from WdB, prior to those entities, which no longer trade, being placed into Members Voluntary Liquidation ('MVL'). As the company's investment in IC&I and WdB is supported by the value of the net assets of those entities, the reduction in net assets that resulted from the payment of dividends has consequently given rise to an impairment charge.

A full list of the related undertakings of the company is set out in note 28.

14. Fair value through profit or loss investments

The carrying value of fair value through profit or loss investments at 31 March 2020 and at 31 March 2019 was £640,000.

The investments at 31 March 2020 and at 31 March 2019 predominantly comprise 999 shares in Third Financial Software Limited, an unlisted company, the fair value of which is determined by reference to recent arm's length transactions. The fair value hierarchy categorisation of fair value through profit or loss investments is shown in note 19. The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Trade and other receivables

	2020	2019
	£'000	£'000
Trade receivables	**246,465**	179,841
Amounts owed by group undertakings	**2,363**	509
Other receivables	**6,289**	5,572
Corporation tax	**2,791**	-
Deferred tax asset (note 16)	**2,960**	3,398
Prepayments	**11,188**	9,000
Accrued income	**18,870**	23,298
	290,926	221,618

Amounts owed by group undertakings are unsecured, interest-free, have no fixed date of repayment and are payable on demand.

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

	Assets		**Liabilities**		**Net**	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Goodwill	**214**	216	**(147)**	(120)	**67**	96
Client relationship intangible assets	-	-	**(4,308)**	(4,817)	**(4,308)**	(4,817)
Property, plant and equipment	**913**	761	-	-	**913**	761
Fair value through profit or loss investments	-	-	**(119)**	(106)	**(119)**	(106)
Provisions	**1,237**	1,237	-	-	**1,237**	1,237
Share-based payments	**596**	1,184	-	-	**596**	1,184
Total	**2,960**	3,398	**(4,574)**	(5,043)	**(1,614)**	(1,645)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and liabilities (continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets:	Goodwill	Property, plant and equipment	Provisions	Share-based payments	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	253	684	1,442	1,592	3,971
Charged/(credited) to:					
Income statement	(37)	77	(205)	(360)	(525)
Equity	-	-	-	(48)	(48)
At 31 March 2019	216	761	1,237	1,184	3,398
Charged/(credited) to:					
Income statement	(2)	152	-	(588)	(438)
At 31 March 2020	**214**	**913**	**1,237**	**596**	**2,960**

Deferred tax liabilities:	Goodwill	Client relationship intangible assets	Fair value through profit or loss investments	Available-for-sale investments	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	(104)	(5,779)	-	(106)	(5,989)
Reclassification on adoption of IFRS 9	-	-	(106)	106	-
Charged/(credited) to:					
Income statement	(16)	962	-	-	946
At 31 March 2019	(120)	(4,817)	(106)	-	(5,043)
Charged/(credited) to:					
Income statement	(27)	509	(13)	-	469
At 31 March 2020	**(147)**	**(4,308)**	**(119)**	**-**	**(4,574)**

The Finance Bill 2019/20 repeals the previously substantively enacted reduction in the UK main rate of corporation tax from 19% to 17%, which was due to take effect from 1 April 2020. Deferred taxes at the statement of financial position date have been measured using the rates of tax that are anticipated will apply as the related balances unwind.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. *Creditors: amounts falling due within one year*

	2020 £'000	2019 £'000
Trade payables	**244,084**	183,618
Lease liabilities	**5,381**	-
Corporation tax payable	**-**	7,726
Other tax and social security costs	**9,485**	8,646
Amounts owed to group undertakings	**8,600**	11,531
Other payables	**1,783**	1,423
Accruals and deferred income	**41,452**	52,232
	310,785	265,176

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

18. Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Accruals and deferred income	**3,698**	3,984
Lease liabilities	**43,208**	-
	46,906	3,984

Lease liabilities falling due after more than five years amount to £22,500,000 (2019: £nil). There are no other creditors falling due after more than five years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Financial instruments

The company holds the following financial instruments:

Financial assets:	**2020**	2019
	£'000	£'000
Financial assets at amortised cost:		
- Trade and other receivables (excluding non-financial assets)	**265,335**	209,181
- Cash and cash equivalents	**147,938**	147,772
Financial assets at fair value through profit and loss:		
- Fair value through profit or loss investments	**640**	640
	413,913	357,593

Financial liabilities:	**2020**	2019
	£'000	£'000
Financial liabilities at amortised cost:		
- Trade and other payables (excluding non-financial liabilities)	**(259,297)**	(214,626)
	(259,297)	(214,626)

Details of the company's exposure to the various risks associated with financial instruments are set out in note 24. The company's maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset. No financial assets of the company are impaired.

None of the financial assets or liabilities shown above have been renegotiated during the years ended 31 March 2020 or 31 March 2019 and no defaults of their terms have occurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Financial instruments (continued)

Fair values hierarchy
Financial instruments carried at fair value are categorised into the following levels based upon valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments carried at fair value comprise fair value through profit or loss investments. All other financial instruments are held at amortised cost, which is considered to be a reasonable approximation of fair value due to the short-term nature of these balances.

Fair value measurements are as follows:

	At 31 March 2020 and at 31 March 2019			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Fair value through profit or loss investments	-	640	-	640

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Provisions for liabilities and charges

	Deferred tax £'000	Dilapidations £'000	Post-retirement benefit £'000	Sundry claims & associated costs £'000	Other £'000	Total £'000
At 1 April 2019	5,043	2,941	1,557	1,469	86	11,096
Charged to the income statement (excluding interest)	480	218	24	1,029	1,975	3,726
Interest expense (note 8)	-	-	37	-	-	37
Released to the income statement	(949)	-	-	(112)	(465)	(1,526)
Utilised in the year	-	(25)	(193)	(110)	(1,504)	(1,832)
Transferred to 'right-of-use' assets (note 30)	-	-	-	-	(54)	(54)
Credited to the statement of other comprehensive income	-	-	(32)	-	-	(32)
Charged directly to equity	-	-	-	-	745	745
At 31 March 2020	**4,574**	**3,134**	**1,393**	**2,276**	**783**	**12,160**

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 the year ending 31 March 2034.

Other comprises mainly a long-term employee benefit liability provision (see note 21) and the restructuring provision in relation to the closure of the Click & Invest service, which was provided, and largely utilised, during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. *Provisions for liabilities and charges (continued)*

The post-retirement benefit provision reflects the company's contractual obligation to pay post-retirement benefits to a limited number of employees. It is expected that this obligation will be settled in the period up to the year ending 31 March 2036.

The key assumptions in this calculation are:

	2020	2019
Discount rate	**2.68%**	2.24%
Average client life	**18 years**	18 years
Net annual growth in income	**4.50%**	4.50%

The company recognises a provision in respect of the potential settlement of sundry claims and the costs associated with the settlement of those claims. Whilst the timing of settlement is unknown, the company expects that claims will be settled within 12 months.

The deferred taxation provision is considered further in note 16.

21. Share-based payments

Investec plc, the company's ultimate parent undertaking, operates the following share-based payment schemes in which certain of the company's employees are eligible to participate:

Long-term incentive plan ('LTIP')
This scheme applied to share options granted prior to 1 June 2018. The Investec group considered making awards of nil cost share options under the LTIP to qualifying employees of the company in June and December each year.

The vesting of the remaining LTIP awards is conditional upon the employee remaining in the employment of the Investec group for a specified period. The awards vest in up to three separate tranches, which are phased between three and five years after the date of grant. With regard to the LTIP awards outstanding at 31 March 2020 and 31 March 2019, the vesting of the awards is not subject to any performance conditions and no consideration is payable by the employee upon grant or exercise.

21. Share-based payments (continued)

Long-term share awards ('LTSA')

This scheme applies to deferred share awards granted after 1 June 2018. In June and December each year, the Investec group considers making awards of conditional and non-conditional nil cost deferred shares under the LTSA to qualifying employees of the company. Both conditional and non-conditional awards are subject to the employee remaining in the employment of the Investec group for a specified period and vest in three equal tranches; one third at the end of years three, four and five. Other than in respect of conditional awards, the employee is eligible to receive dividends on the shares throughout the vesting period. With regard to the awards outstanding at 31 March 2020 and 31 March 2019, the vesting of the awards is not subject to any performance conditions and no consideration is payable by the employee upon the making or vesting of the award.

Long-term employee benefit liability – Ninety One plc shares

As part of the demerger of Investec Asset Management Limited (subsequently *renamed Ninety One plc) from the Investec group, each participant of the Investec plc* LTIP and LTSA share-based payment schemes received the right to receive one Ninety One plc share option for every two Investec plc share options that they held. The Ninety One plc share options were granted on the same terms and vesting period as the Investec plc options that they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share options, and accordingly this obligation is classified and measured as an other long-term employee benefit liability in terms of IAS 19 'Employee Benefits'. The initial liability of £745,000 was calculated as the fair value of the liability at the date of demerger for the portion of the options already vested. The total value of the liability represented a past service cost and was therefore accounted for in retained earnings. The liability will subsequently be measured at fair value through profit and loss.

Exercise price range and remaining contractual life

The exercise price range and weighted average remaining contractual life for the awards outstanding at 31 March 2020 are as follows:

	2020	2019
Exercise price	**£nil**	£nil
Weighted average remaining contractual life	**2.30 years**	2.16 years

Of the 2,311,309 Investec plc options and the 1,155,689 Ninety One *plc options* outstanding at 31 March 2020 (2019: 2,521,626 Investec plc options), 37,470 Investec plc options and 18,746 Ninety One plc options were exercisable (2019: 84,435 Investec plc options were exercisable). The Investec plc and Ninety One plc weighted average share price for the year ended 31 March 2020 was £4.37 and £1.61 respectively (2019: Investec plc £5.11).

22. Share capital

	2020		2019	
	Number	**Value**	Number	Value
Allotted, called up and fully paid:	**'000**	**£'000**	'000	£'000
Ordinary shares of £1 each	**10,455**	**10,455**	10,455	10,455

All shares rank pari passu in all respects.

23. Capital management

The capital of the company comprises share capital, share premium, retained earnings and other reserves. The total capital at 31 March 2020 amounted to £198.70 million (2019: £189.00 million). The objectives of the company in managing its capital are to:

- Provide a strong capital base to ensure that the company can continue as a going concern, in order to meet the needs of its clients and to provide continuing returns for its shareholder and benefits for its other stakeholders;

- Maintain, as a minimum, the appropriate levels of capital to ensure that the company complies with the capital requirements of the Financial Conduct Authority ('FCA').

These objectives are met by setting the level of dividends paid to shareholders at a level appropriate to the performance and regulatory capital position of the business. The company has complied with the capital requirements of the FCA throughout the year ended 31 March 2020.

24. 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.

24. Financial risk management (continued)

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 company's Risk Management Committee, which reports to the company's Board Risk 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.

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, other than in respect of a minority of transactions undertaken on behalf of clients that must be undertaken on a matched principal basis.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Financial risk management (continued)

Credit risk (continued)

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').

Financial institutions with which cash deposits are placed are subject to approval by the CCMC, following completion of the company's counterparty due diligence process, and must possess a minimum long-term Standard & Poors rating of BBB+ or equivalent.

As set out in the section on liquidity risk below, the company's fee and commission charges to clients are usually charged to, and paid from, the portfolios of clients managed by the company and therefore the risk of default is low. Modest short-term advances to clients may occasionally be made, subject to these being secured against suitable portfolios managed by the company.

Advances to clients at 31 March 2020 amounted to £3,954,000 (2019: £3,320,000). Due to the collateralised nature of these loans, the expected credit loss impairment is negligible.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its financial obligations as they fall due. The company also manages portfolio liquidity on behalf of clients. In respect of the company's own cash resources, the company is exposed to the risk relating to the sufficiency of liquid cash resources to meet the company's financial obligations as they become due for payment. 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 is undertaken on the basis that they should retain a sufficient amount of liquidity in order that sufficient 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.

24. Financial risk management (continued)

Liquidity risk (continued)

The process by which the company's liquidity is managed is formally documented and subject to board approval. The documented process includes a statement of the company's liquidity risk appetite; an assessment of the factors which drive liquidity risk within the company; a detailed assessment of material liquidity risks; and the framework within which liquidity risks are managed.

The company has a documented contingency funding plan which sets out the actions that would be taken to access alternative sources of funding should the company's existing funding ever become insufficient to meet its obligations.

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, notice 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 are deposited on call, with the remainder held on fixed term or notice deposits with a maturity or notice period 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 on call. The balance may be placed on notice or term deposits of up to 30 days. 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.

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 period of time 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 2020, the company had access to an overdraft facility of £3 million which is due for review in October 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Financial risk management (continued)

Liquidity risk (continued)

At 31 March 2020, the company had not drawn (2019: £nil drawn) on this facility and all conditions necessary for the company to draw on this facility were satisfied at 31 March 2020.

A significant volume of the trades undertaken on behalf of clients are settled on the Euroclear settlement platform. In order to facilitate the overnight settlement of client trades, the company is required to lodge collateral with Euroclear.

At 31 March 2020, the company had pledged cash collateral with Euroclear of £7,000,000, which provided a settlement facility of $8,000,000.

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.

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.

A smaller proportion of deposits are held in fixed term or notice deposit accounts. Fixed term deposits normally earn a rate of interest that is fixed for the term of the deposit that has been agreed. Notice accounts typically earn a floating rate of interest. 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.

There is a direct relationship between changes in market interest rates and the contribution to profit before tax of the company from the company's cash balances. Using the level of these balances at 31 March 2020 and assuming they remain unchanged, it is estimated that an increase in the market interest rate of 25 basis points would result in an annualised increase in this contribution to profit before tax of approximately £370,000 (2019: £369,000).

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.

24. Financial risk management (continued)

Interest rate risk (continued)

Interest paid by the company to individual clients on sterling 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 on deposits denominated in foreign currencies is determined by reference to the actual interest rate that the company is able to achieve on those deposits. 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 2020, the amount of cash held by clients within their portfolios was £2.38 billion (2019: £2.06 billion).

If the Bank of England base rate was to increase by 25 basis points, and assuming that this rate increase was reflected in full in the interest rates that the company is able to obtain on client cash deposits, the interest rate margin that the company could reasonably expect to generate on client cash deposits would increase by approximately £5.96 million per annum (2019: £5.14 million). This assumes that the levels of cash held within client portfolios and the rates of interest paid to clients on those balances remains unchanged. Given the prevailing historically low level of the Bank of England base rate, if the base rate were to rise, it is likely that the rate of interest paid to clients would also be revised. If this were the case, the amount of the additional interest margin generated by the company would be less than the headline increase in the base rate.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Financial risk management (continued)

Price risk (continued)

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.

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 unlisted fair value through profit or loss equity investments that are subject to price risk. Unlisted equity investments at 31 March 2020 amount to £640,000. This represents the maximum price risk exposure to the company.

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.

25. Contingent liabilities

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.

26. Leases

The company leases office premises. The leases typically run for a period of between 10 and 15 years, with an option to break after 5 or 10 years, depending upon the overall term of the lease. The company also leases IT equipment and motor vehicles, typically with contract terms of up to five years. These leases are short-term and/or leases of low-value items, and therefore the company has elected not to recognise right-of-use assets and lease liabilities in respect of these leases.

Previously, these leases were classified as operating leases under IAS 17 'Leases'. The company initially applied IFRS 16 'Leases' from 1 April 2019. The company applied IFRS 16 using the simplified modified retrospective approach, under which right-of-use assets are measured at the amount of the respective lease liability at the date of transition (adjusted for any prepaid or accrued lease expenses) and no restatement of comparatives is required. Full details of the impact of the transition of IFRS 16 'Leases' is set out in note 30. Accordingly, the comparative information presented below has not been restated and is presented, as previously reported, under IAS 17.

The amounts recognised in the financial statements in relation to leases are as follows:

Amounts recognised in the statement of financial position

Right-of-use assets relating to leased premises are presented within property, plant and equipment. A reconciliation of the movement in right-of-use assets is set out in note 12. Lease liabilities relating to leased premises are presented within creditors: amounts falling due within one year and creditors: amounts falling due after one year, as set out in notes 17 and 18 respectively.

Amounts recognised in the income statement

	31 March 2020 £'000
Leases under IFRS 16:	
Interest on lease liabilities	**779**
Expenses relating to short-term leases	**47**
Expenses relating to leases of low-value assets, excluding short-term	**18**

	31 March 2019 £'000
Operating leases under IAS17:	
Operating lease rentals – premises	5,074
Operating lease rentals – motor vehicles	118

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Leases (continued)

Future minimum lease payments (undiscounted)

The company had the following future minimum lease payments (undiscounted) under non-cancellable operating leases for each of the following periods:

	31 March 2020 £'000
Leases under IFRS 16:	
Less than one year	6,143
One to two years	6,016
Two to three years	5,732
Three to four years	5,606
Four to five years	5,539
More than five years	23,471
	52,507

	31 March 2019 £'000
Operating leases under IAS 17:	
Less than one year	6,298
Later than one year and not later than five years	20,634
More than five years	29,526
	56,458

27. Parent undertaking

The company is a subsidiary of Investec plc, the ultimate parent undertaking, which is registered in England & Wales. Investec Bank plc, also registered in England & 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 their registered office at 30 Gresham Street, London, EC2V 7QP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related undertakings

The company held the following investments in related undertakings, either directly or indirectly, during the year ended 31 March 2020. Whilst the proportion held by the company may be less than 100%, all related undertakings of the company are wholly-owned within the Investec group. The registered office address of the related undertakings that are incorporated in Guernsey is Glategny Court, Glategny Esplanade, St Peter Port, Guernsey. The registered office address of all other related undertakings is 30 Gresham Street, London, EC2V 7QN.

Name of company	Country of Incorporation	Principal activity	Proportion held
Anston Trustees Limited	England & Wales	Non-trading	100%
Bell Nominees Limited	England & Wales	Non-trading	100%
Carr Investment Services Nominees Limited	England & Wales	Non-trading	100%
Carr PEP Nominees Limited	England & Wales	Non-trading	100%
Click Nominees Limited	England & Wales	Non-trading	100%
Ferlim Nominees Limited	England & Wales	Nominee services	100%
Hero Nominees Limited	Guernsey	Nominee services	100%
Investec Click & Invest Limited**	England & Wales	Digital investment management services	100%
Investec Wealth & Investment (Channel Islands) Limited	Guernsey	Investment management services	100%
Investec Wealth & Investment Trustees Limited	England & Wales	Trustee services	100%
Investment Administration Nominees Limited	England & Wales	Non-trading	100%
IWI Fund Management Limited*	England & Wales	Non-trading	100%
PEP Services (Nominees) Limited	England & Wales	Non-trading	100%
R & R Nominees Limited	England & Wales	Non-trading	100%
R S Trustees Limited**	England & Wales	Non-trading	50%
Rensburg Client Nominees Limited	England & Wales	Nominee services	100%
Scarwood Nominees Limited	England & Wales	Non-trading	100%
Spring Nominees Limited	England & Wales	Non-trading	100%
Tudor Nominees Limited	England & Wales	Non-trading	100%
Torch Nominees Limited	Guernsey	Nominee services	100%
Williams de Broë Limited**	England & Wales	Non-trading	100%

* IWI Fund Management Limited was dissolved on 28 November 2019.

** R S Trustees Limited was placed into Members Voluntary Liquidation on 13 August 2019. Williams de Broë Limited and Investec Click & Invest Limited were both placed into Members Voluntary Liquidation on 12 February 2020. All are awaiting dissolution.

29. Country by country reporting

Under Regulation 4 of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 ('the regulations'), the company is exempt from the requirement to publish the reportable information required by the regulations on the grounds that a *parent undertaking includes the company in its own consolidated country by country* reporting, published on the Investec plc website www.investec.com.

30. Changes in accounting policies

IFRS 16 'Leases' became effective for the company on 1 April 2019 (the 'date of transition'). The Company applied IFRS 16 using the simplified modified retrospective approach, under which all right-of-use assets are measured at the amount of the respective lease liability at the date of transition (adjusted for any prepaid or accrued lease expenses) and no restatement of comparatives is required.

Accordingly, the comparative information presented for the year ended 31 March 2019 has not been restated and is presented, as previously reported, under IAS 17 'Leases'. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

Details of this change in accounting policy are set out below.

Definition of a lease
On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

Leased assets (as lessee)
The company leases premises, IT equipment and motor vehicles. All leases were previously classified as operating leases, as the respective lease agreements did not transfer significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities in respect of premises assets (i.e. these leases are on-balance sheet).

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of premises, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Changes in accounting policies (continued)

Leases classified as operating leases under IAS 17
Previously, the company classified premises leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 April 2019.

Right-of-use assets are measured at an amount equal to the lease liability at the date of transition, adjusted by the amount of any prepaid or accrued lease payments.

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company did not recognise right-of-use assets and liabilities for leases for which the lease term ended within 12 months of the date of initial application and for leases of low value assets. This included leases in respect of IT equipment and motor vehicles.

Impact on the financial statements

Impact on transition
On transition to IFRS 16, the company recognised right-of-use assets and lease liabilities in respect of premises leases. The following table shows the impact of the IFRS 16 transition adjustments on the financial statement lines affected:

Balance sheet (extract):	**1 April 2019** **£'000**
Fixed assets	
Right-of-use assets: premises (within Property, plant & equipment)	39,400
Trade & other receivables	
Prepayments	(1,273)
Creditors: amounts falling due within one year	
Accruals and deferred income	9,747
Lease liabilities	(4,366)
Creditors: amounts falling due after one year	
Lease liabilities	(43,562)
Provisions for liabilities and charges	
Onerous lease provision (note 20)	54
Net assets	-

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 April 2019. The average rate applied across all leases held at 1 April 2019 was 1.5%.