

Company Registration No. 00872520 (England and Wales)

WADDINGTON CUSTOT GALLERIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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WADDINGTON CUSTOT GALLERIES LIMITED

COMPANY INFORMATION

Director	N Kanji
Secretary	N Kanji
Company number	00872520
Registered office	11 Cork Street London W1S 3LT
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ

WADDINGTON CUSTOT GALLERIES LIMITED

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WADDINGTON CUSTOT GALLERIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Fair review of the business

Waddington Custot Galleries Limited ('the company') continues its activities as art dealers.

The company continued to perform well with turnover in 2017 of £17.9m (2016: £18.7m) but the profit before tax decreased by £1.2m to £3.3m.

The cash at bank decreased to £2.7m in 2017 (£3.5m 2016) due to greater stock purchases during the year.

The company plans to continue its participation in international art fairs in 2018 and 2019.

During the year, the liquidation of the company's Swiss subsidiary was completed. The results of this transaction are immaterial and have therefore not been consolidated.

Key performance indicators

The company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business.

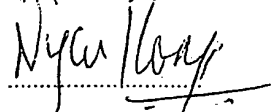
Principle risks and uncertainties

The company would be affected by a significant downturn in the art market. This risk is mitigated by a diverse portfolio of works of art, experienced management and knowledge of the market.

The company will continue to monitor the impact of the Brexit negotiations on the UK economy closely and take the necessary steps to manage the risk to trading in the domestic markets

There are no significant future developments to report.

Approved by the Board of Directors



NIZAR KANJI

17th May 2018
Nizar Kanji
Director
11, Cork Street
London
W1S 3LT

WADDINGTON CUSTOT GALLERIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Custot (Resigned 1 April 2018)

N Kanji (Appointed 1 January 2017)

J S Dunley (Resigned 1 January 2017)

Results and dividends

The profit of the company on ordinary activities before taxation was £3,256,000 (2016: profit of £4,496,000) and there was a tax charge of £642,000 (2016: charge of £920,000). The directors do not recommend a final dividend (2016: £nil per share).

Post balance sheet events

The directors have declared that there have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Future Developments

The future developments have been discussed in the Strategic Report on Page 1.

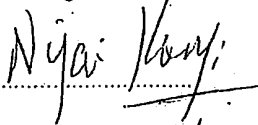
Auditors

In accordance with the company's articles, a resolution proposing that Deloitte LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board



NIZAR KANJI

17th May 2018

Nizar Kanji

Director

11 Cork Street

London

W1S 3LT

WADDINGTON CUSTOT GALLERIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

WADDINGTON CUSTOT GALLERIES LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WADDINGTON CUSTOT GALLERIES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Waddington Custot Galleries Limited ('the company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

WADDINGTON CUSTOT GALLERIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WADDINGTON CUSTOT GALLERIES LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



Sukhbinder Kooner (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
17th May 2018

WADDINGTON CUSTOT GALLERIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	17,869	18,781
Cost of sales		(10,277)	(10,573)
Gross profit		7,592	8,208
Distribution costs		(3,527)	(3,144)
Administrative expenses		(664)	(359)
Operating profit	4	3,401	4,705
Interest receivable and similar income	8	4	3
Interest payable and similar charges	9	(149)	(212)
Profit before taxation		3,256	4,496
Taxation	10	(642)	(920)
Profit for the financial year		2,614	3,576

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no other recognised gains or losses and as a result no statement of total comprehensive income has been prepared.

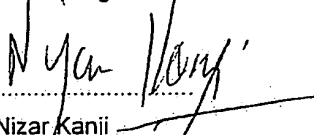
WADDINGTON CUSTOT GALLERIES LIMITED

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	11	180	195
Investments	12	-	38
		<u>180</u>	<u>233</u>
Current assets			
Stocks		15,260	12,696
Debtors	13	2,032	3,246
Cash at bank and in hand		2,691	3,469
		<u>19,983</u>	<u>19,411</u>
Creditors: amounts falling due within one year	14	(5,782)	(6,502)
Net current assets		<u>14,201</u>	<u>12,909</u>
Total assets less current liabilities		<u>14,381</u>	<u>13,142</u>
Creditors: amounts falling due after more than one year	15	(1,719)	(3,094)
Provisions for liabilities			
Deferred tax liabilities	16	(20)	(20)
Net assets		<u>12,642</u>	<u>10,028</u>
Capital and reserves			
Called up share capital	18	252	252
Capital redemption reserve	18	257	257
Profit and loss reserves		12,133	9,519
Total equity		<u>12,642</u>	<u>10,028</u>

The financial statements were approved by the board of directors and authorised for issue on 17th May 2018 and are signed on its behalf by:


Nizar Kanji
Director

Company Registration No. 00872520

WADDINGTON CUSTOT GALLERIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £'000	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		252	257	5,943	6,452
Period ended 31 December 2016: Profit and total comprehensive income for the year		-	-	3,576	3,576
Balance at 31 December 2016		252	257	9,519	10,028
Period ended 31 December 2017: Profit and total comprehensive income for the year		-	-	2,614	2,614
Balance at 31 December 2017		252	257	12,133	12,642

WADDINGTON CUSTOT GALLERIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	22	1,700	1,310
Interest paid		(149)	(212)
Income taxes paid		(901)	(551)
Net cash inflow from operating activities		<u>650</u>	<u>547</u>
Investing activities			
Purchase of tangible fixed assets		(57)	(97)
Interest received		4	3
Net cash used in investing activities		<u>(53)</u>	<u>(94)</u>
Financing activities			
Repayment of bank loans		(1,375)	(1,031)
Net cash used in financing activities		<u>(1,375)</u>	<u>(1,031)</u>
Net decrease in cash and cash equivalents		<u>(778)</u>	<u>(578)</u>
Cash and cash equivalents at beginning of year		3,469	4,047
Cash and cash equivalents at end of year		<u>2,691</u>	<u>3,469</u>

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Waddington Custot Galleries Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The registered office is 11 Cork Street, London, W1S 3LT.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.4 Tangible fixed assets (Refer note 11)

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	Over the term of the leases
Computer equipment & furniture	20% per annum
Motor vehicles	20% per annum

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 profit and loss account.

1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment, by a director of the company. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. See note 10

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits. See note 6.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. See note 19.

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period. See note 4

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In the course of preparing the financial statements, no judgements have been made in the process of applying the company's accounting policies, other than those involving estimations as discussed below that have had a significant effect on the amounts recognised in the financial statements.

Stock is valued at the lower of cost and net realisable value of individual works of art. In determining an estimate of net realisable value, management has made judgments in respect the quality of the works and the current art market using extensive art expertise.

3 Turnover and other revenue

An analysis of the company's turnover earned wholly in the United Kingdom is as follows:

	2017 £'000	2016 £'000
Turnover		
Sale of art works	17,869	18,781
	<u> </u>	<u> </u>
Other income		
Interest income	4	3
	<u> </u>	<u> </u>

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

4 Operating profit

	Notes	2017 £'000	2016 £'000
Operating profit for the year is stated after charging/(crediting):			
Exchange losses/(gains)		111	(298)
Depreciation of owned tangible fixed assets	11	71	62
Cost of stocks recognised as an expense		7,825	7,496
Operating lease charges	19	330	330

5 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	22	22
	<u>22</u>	<u>22</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Sales and administration	<u>14</u>	<u>12</u>
Their aggregate remuneration comprised:		
	2017 £'000	2016 £'000
Wages and salaries	758	856
Social security costs	66	92
Pension costs	40	50
	<u>864</u>	<u>998</u>

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

7 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	<u>10</u>	<u>143</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to nil (2016: 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>10</u>	<u>143</u>
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Refer to note 20 for details of transactions and balances with directors for the year.

None of the directors received awards under long-term incentive schemes in the current or prior year. The aggregate of pension contributions paid to a defined contribution scheme amounted to £nil (2016: £nil). Pension contributions paid to a defined contribution scheme in respect of the highest paid director amounted to £nil (2016: £nil).

8 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest income		
Interest on bank deposits	<u>4</u>	<u>3</u>

9 Interest payable and similar charges

	2017 £'000	2016 £'000
Loans and overdrafts repayable within one year	<u>149</u>	<u>212</u>

10 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits for the current period	642	901
Adjustments in respect of prior periods	<u>-</u>	<u>10</u>
Total current tax	<u>642</u>	<u>911</u>

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

10 Taxation (continued)

Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>9</u>
Total tax charge	<u>642</u>	<u>920</u>

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
Profit before taxation	<u>3,257</u>	<u>4,496</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	627	899
Tax effect of expenses that are not deductible in determining taxable profit	15	13
Prior year current tax	-	10
Deferred tax rate adjustment	<u>-</u>	<u>(2)</u>
Total tax expense for the year	<u>642</u>	<u>920</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

11 Tangible fixed assets

	Land and buildings Leasehold	Computer equipment & furniture	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2017	919	1,467	9	2,395
Additions	-	41	16	57
Disposals	-	-	(9)	(9)
At 31 December 2017	919	1,508	16	2,443
Depreciation and impairment				
At 1 January 2017	862	1,329	9	2,199
Disposals	-	-	(9)	(9)
Charge for the year	10	58	3	71
At 31 December 2017	872	1,387	3	2,261
Carrying amount				
At 31 December 2017	47	121	12	180
At 31 December 2016	57	138	-	195

12 Investments

	Notes	2017 £'000	2016 £'000
Investments in subsidiaries		-	38

The company's subsidiary, Waddington & Bernstein Limited, was fully wound up during 2017, and therefore the asset has been derecognised.

Movements in fixed asset investments

	£'000
Cost or valuation	
At 1 January 2017	38
Disposals	(38)
Carrying amount	
At 31 December 2017	-
At 31 December 2016	38

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

13 Debtors		2017	2016
		£'000	£'000
Amounts falling due within one year:			
Trade debtors		1,630	2,941
Other debtors		2	2
Prepayments and accrued income		400	303
		<u>2,032</u>	<u>3,246</u>
14 Creditors: amounts falling due within one year		2017	2016
	Notes	£'000	£'000
Loans and overdrafts	15	1,375	1,375
Trade creditors		3,071	3,319
Corporation tax		442	702
Other taxation and social security		16	80
Other creditors		110	527
Accruals and deferred income		768	499
		<u>5,782</u>	<u>6,502</u>
15 Creditors: amounts falling due after more than one year		2017	2016
		£'000	£'000
Bank loans		<u>3,094</u>	<u>4,496</u>
Payable within one year		1,375	1,375
Payable after one year		<u>1,719</u>	<u>3,094</u>

The long-term loan is secured by a charge over the stock and by a personal guarantee from one of the directors.

The loan is repayable in quarterly instalments over 4 years from the date of drawdown. Interest is payable at LIBOR plus 3.5%.

There are no other basic or other financial instruments.

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £'000	2016 £'000
Deferred tax liabilities:		
Provision at the start of the period	20	11
Deferred tax charge to income statement for the period	-	9
	<u>20</u>	<u>20</u>

Refer to Note 10 for an explanation of the enacted tax rates.

Deferred taxes at the balance sheet date have been measured using enacted tax rates and reflected in these financial statements.

17 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £40,430 (2016: £50,395)

WADDINGTON CUSTOT GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

18 Share capital and Reserves

	2017 £'000	2016 £'000
Ordinary share capital		
Authorised		
595,000 Ordinary shares of £1 each	<u>595</u>	<u>595</u>
Issued and fully paid		
252,000 Ordinary shares of £1 each	<u>252</u>	<u>252</u>
Capital redemption reserve made up of:		
252,000 Ordinary shares of £1 each	252	252
 5,000 authorised 6.3% cumulative preference shares of £1 each	 5	 5
252,000 Ordinary shares of £1 each	<u>257</u>	<u>257</u>
 Authorised		
5,000 6.3% cumulative preference shares of £1 each	<u>5</u>	<u>5</u>

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

The lease for the rental of the premises where the company operates from runs to the end of August 2023

	2017 £'000	2016 £'000
Within one year	330	330
Between two and five years	1,320	1,320
After five years	<u>248</u>	<u>578</u>

20 Related party transactions

The company made sales of £184,600 (2016: £128,400) to Vichala Arts Trading DWC-LLC, a company owned by Stephane Custot. At the year-end, a balance of £17,550 (2016: £120,900) was owed to the company.

At the year-end, a balance of £4,646 (2016: £5,454) was owed by the company to Stephane Custot.

Nizar Kanji & Co, a company owned by Nizar Kanji, rendered accounting and tax services of £23,719 (2016: £2,000), to the company. At the year-end, a balance of £12,250 (2016: £2,000) was owed by the company.

WADDINGTON CUSTOT GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

21 Controlling party

Sole control of the company is held by Stephane Custot and his respective interests.

22 Cash generated from operations

	2017 £'000	2016 £'000
Profit for the year after tax	2,614	3,576
Adjustments for:		
Taxation charged	642	920
Finance costs	149	212
Investment income	(4)	(3)
Depreciation and impairment of tangible fixed assets	71	62
Movements in working capital:		
(Increase)/decrease in investments	38	-
(Increase)/decrease in stocks	(2,564)	(2,676)
(Increase)/decrease in debtors	1,214	(1,243)
Increase/(decrease) in creditors	(460)	462
Cash generated from operations	<u>1,700</u>	<u>1,310</u>