



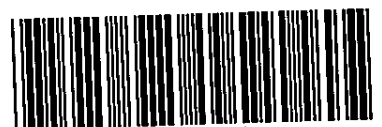
WAVERTON
INVESTMENT MANAGEMENT

Annual Report and Accounts

Year Ended 31st December 2013

Registered in England No 2042285

SATURDAY



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COMPANIES HOUSE



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Strategic report

On 28th March 2013, the ultimate holding parent of the Company, Credit Suisse AG, entered into a sale and purchase agreement to dispose of its 100% stake in JOHIM CS Limited, the holding company of J O Hambro Investment Management Limited ("JOHIM") and its affiliates, to Bermuda National Limited ("BNL"). Following completion, BNL owns 62.5% of the Group's issued share capital with the balance being owned by the Company's management and staff who are investing together with BNL. Regulatory approval for the change of control was received on 17th July 2013 and the completion of the transaction took place on 2nd August 2013. This change of control re-establishes the Company's credentials as an independent owner-managed investment management boutique. The investment philosophy and focus on individual client service remain unchanged and all of the senior management team have an equity stake in the Company, thus aligning themselves with the interests of its clients. On the 28th November 2013 BNL changed its name to Somers Limited.

The principal activities of the Company are discretionary investment management on behalf of private clients, charities, trusts, institutional clients, collective investment vehicles and the management of other specialist funds. The principal aim is to generate attractive real returns for our clients over the long-term using an active, flexible approach through segregated portfolios or specialist funds. The investment approach places huge importance on investing in the investment teams' best ideas worldwide, be that in individual stocks, funds, fixed interest or alternative asset classes.

During 2013, the Company undertook a strategic review of its business in order to identify those areas in which it should invest to drive growth in the future. The Company subsequently reorganised its business into five business groups: core private clients, managed funds services, charities, specialist mandates and funds, and a global institutional business. The Company also identified a number of initiatives designed to support growth and client services across the different businesses. These include investment in information technology for the investment platform, investment and marketing personnel, identifying new areas to source clients, as well as initiatives to streamline efficiencies in the Company's systems and processes.

The Company has a single location, 21 St James's Square, in the West End of London. The headcount as at 31st December 2013 was 109 of which 28 have direct client relationships. The operating model is such that clients have direct contact with their portfolio manager rather than a relationship manager. The balance of the headcount is in-house support functions operating from the same location.

Performance

One of the most important metrics for the Company is Assets Under Management ("AUM") as the vast majority of revenue is generated from periodic asset-based fees (90%). AUM at 31st December 2013 was £4,482m, an increase of 24% from 31st December 2012 (£3,606m). It is significant that half of this increase occurred in the fourth quarter of the year. The increase was partially driven by positive markets during the year reflected in the rise of the FTSE World Index Total Return of 22.36% in GBP terms and partially by Net New Assets of £335m (2012: £113m). The inflow of assets for the year was £718m (2012: £411m) of which around £292m were for the Waverton European Fund.

The results for the year reflect the growth of the client base although as most of the increased AUM was in the latter part of the year the full effect will not be seen until 2014. Operating profit rose to £7.1m (2012: £6.5m) based upon turnover of £28.6m (2012: £25.2m) which delivered to the shareholders profit after tax of £5.5m (2012: £5.0m).

The capital adequacy cover for the company as at 31st December 2013 was 3 times the required liquid capital (2012: 7). The main reasons for the reduction in cover were the dividends paid during the year of £22.7m (2012: £1m). The Directors do not propose another dividend in respect of the year ended 31st December 2013.

Discussion of Risks and Uncertainties in Financial Markets

A key financial market risk for financial institutions is the low implied yield on most major assets classes and a steepening yield curve with anticipated rise in interest rates. Major asset classes such as Government Bonds, Corporate Debt and Equities have experienced significant price gains on a systemic

basis in the last five years as global risk appetite has increased and the effects of expansionary monetary policy in several major economies (including the USA, Japan, UK) flow through into asset markets. Consequently, in most major markets and most asset classes valuations are significantly more expensive than long term averages. With the possibility of rising interest rates it is possible that the economy could progress well but asset prices remain stagnant or decline putting pressures on the financial performance of financial institutions.

Furthermore, volatility across and within asset classes has been below long term averages in the last 3-4 years and could be more elevated in future. Liquidity in some asset classes is also low compared to history which could exacerbate volatility. Other risks to financial markets include collateral risk given the size of global derivative markets relative to the real economy, unintended consequences of regulatory activity and geopolitical instability in emerging economies which are a much larger proportion of the global economy than they have been in the past.

A significant fall in asset prices and/or increased volatility could significantly impact the economics of investment management firms, especially where fees and income are based upon an ad valorem fee structure, this is particularly relevant to Waverton as such a high proportion of overall revenue comes from this source.

Aside from financial markets, the main risk facing Waverton is Operational Risk where inadequate or failed internal processes, people and/or systems can lead to errors. Waverton places significant emphasis on mitigating these potential risks wherever possible. Details of the company's risk management principles and oversight structure is detailed in note 21 of this report.

Directors' Report

Directors and Directors' Interests

The Directors of the Company who served during the year, are listed below

| | |
|-----------------------------|---------------------------------------|
| J A Anderson* | |
| H J Grootenhuis* | |
| A A Percy | Appointed 2 nd August 2013 |
| D F Chaplin* (Alternate) | Appointed 2 nd August 2013 |
| C M Rose (Alternate) | Appointed 2 nd August 2013 |
| W A M Francklin (Alternate) | |

The Non Executive Directors of the Company who served during the year, are listed below

| | |
|------------------------|--|
| A R Bonsor | |
| A John | Resigned 2 nd August 2013 |
| C Jillings | Appointed 2 nd August 2013 |
| D Morgan* | Appointed 2 nd August 2013 |
| Sir B Williamson | |
| J Leigh-Pemberton | Resigned 25 th September 2013 |
| W McLeland (Alternate) | Appointed 9 th August 2013 |
| S Pope (Alternate) | Appointed 9 th August 2013 |

The Company is a 74% subsidiary of JOHIM (Holdings) Ltd. The Company is a 26% associate of J O Hambro Asset Management Ltd, a fully owned subsidiary of JOHIM (Holdings) Ltd. Directors marked with * are also Directors of JOHIM (Holdings) Ltd. Their interests in the share capital of that undertaking are disclosed in its financial statements.

FCA

The Company is authorised and regulated by the UK Financial Conduct Authority ("the FCA")

Insurance

Throughout the year, the Company maintained insurance to provide protection for clients against losses arising from any negligence or dishonesty of its employees.

Donations

Charitable donations made by the Company during the year amounted to £45,672 (2012: £73,689).

Political donations made by the Company during the year amounted to nil (2012: nil).

Risk Management

The policies of the Company to risk management are set out in Note 21 to the financial statements.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of the Strategic and 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 in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Employee Involvement and Employment of Disabled Persons

The Company gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment

Auditors

Our auditors, KPMG Audit Plc, have instigated an orderly wind down of business and notified the Company that they are not seeking reappointment. It is proposed that KPMG LLP be appointed auditors of the Company and will hold office from the start of the financial year ending 31 December 2014 until the end of the next period for appointing auditors under section 485(2) of the Companies Act 2006

Subsequent Events

Further reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

It was agreed by the Board, following the acquisition from Credit Suisse, that the company would change its name from J O Hambro Investment Management Limited to Waverton Investment Management Limited in recognition of the new structure of the company, thus combining the existing Waverton fund range with the name of the company under a single brand. The new name and branding were formally adopted on 13th January 2014.

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors on 25th April 2014

By order of the Board



Hugh Grootenhuis
Chief Executive Officer
21 St James's Square
London
SW1Y 4HB

Independent Auditor's Report to the Members of Waverton Investment Management Limited

We have audited the financial statements of Waverton Investment Management Limited for the year ended 31 December 2013 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Nicholas Edmonds (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

25th April 2014

Statement of Comprehensive Income

For the year ended 31 December 2013

| | Note | 2013 £000 | 2012 £000 |
|--|------|---------------------|---------------------|
| Revenue | 4 | 28,592 | 25,175 |
| Administrative expenses | | (21,515) | (18,523) |
| Additional FSCS levy | | - | (163) |
| Operating profit | | 7,077 | 6,489 |
| Other income | 8 | <u>94</u> | <u>258</u> |
| Profit before taxation | | 7,171 | 6,747 |
| Income tax charge | 9 | <u>(1,727)</u> | <u>(1,762)</u> |
| Profit after tax attributable to equity holders of the company | | <u>5,444</u> | <u>4,985</u> |

There was no other comprehensive income other than the profit for the current and prior years

All profits for both 2013 and 2012 are from continuing operations

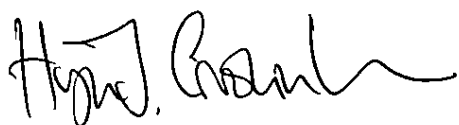
The notes on pages 12 to 28 form part of these financial statements

Statement of Financial Position
As at 31 December 2013

| | Note | 2013 £000 | 2012 £000 |
|-------------------------------------|------|----------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 208 | 237 |
| Deferred tax asset | 16 | 198 | 283 |
| Current assets | | | |
| Trade and other receivables | 12 | 8,097 | 6,858 |
| Other assets | 13 | 922 | 1,012 |
| Intercompany Receivable | | 2,330 | - |
| Cash and cash equivalents | 11 | 13,505 | 34,171 |
| Total assets | | <u>25,260</u> | <u>42,561</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 8,260 | 8,348 |
| Intercompany liability | | 4,581 | 4,538 |
| Non-current liabilities | | | |
| Provision for restoration costs | 15 | 300 | 300 |
| Total liabilities | | <u>13,141</u> | <u>13,186</u> |
| Capital and reserves | | | |
| Issued share capital | 17 | 23 | 23 |
| Share premium account | | 313 | 313 |
| Retained earnings | | 11,783 | 29,039 |
| Total equity | | <u>12,119</u> | <u>29,375</u> |
| Total equity and liabilities | | <u>25,260</u> | <u>42,561</u> |

The notes on pages 12 to 28 form part of these financial statements

These financial statements were approved by the Board of Directors on 25th April 2014 and signed on its behalf by



Hugh Grootenhuis
Chief Executive Officer

Statement of Changes in Equity

For the year ended 31 December 2013

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---------------------------------------|--------------------------|--------------------------|------------------------------|----------------------|
| Balance as at 1 January 2012 | 23 | 313 | 25,054 | 25,390 |
| Profit after tax | - | - | 4,985 | 4,985 |
| Dividend paid | - | - | (1,000) | (1,000) |
| Balance as at 31 December 2012 | 23 | 313 | 29,039 | 29,375 |
| Profit after tax | - | - | 5,444 | 5,444 |
| Dividend paid | - | - | (22,700) | (22,700) |
| Balance as at 31 December 2013 | <u>23</u> | <u>313</u> | <u>11,783</u> | <u>12,119</u> |

Statement of Cash Flows

For the year ended 31 December 2013

| | Note | 2013 £000 | 2012 £000 |
|---|------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before tax for the year | | 7,171 | 6,747 |
| Adjustments to reconcile net profit to net cash provided by/(used in) operating activities | | | |
| Non-cash items included in profit before tax and other adjustments | | | |
| Depreciation on property, plant and equipment | 5 | 101 | 110 |
| Foreign exchange (gains) / losses | 5 | (19) | 4 |
| Adjustments for | | | |
| Net (increase)/decrease in operating assets | | (3,479) | (1,222) |
| Trade and other receivables | | (3,569) | (1,064) |
| Other assets | | 90 | (158) |
| Net decrease in operating liabilities | | (1,687) | (928) |
| Trade and other payables | | 976 | (6) |
| Group relief paid | | (1,716) | - |
| Other liabilities | | (947) | (922) |
| Net cash flow generated from operating activities | | 2,087 | 4,711 |
| Investing activities | | | |
| Capital expenditure for property, plant and equipment | 10 | (72) | (29) |
| Net cash flow used in investing activities | | (72) | (29) |
| Financing activities | | | |
| Dividends paid | | (22,700) | (1,000) |
| Net cash flow used in financing activities | | (22,700) | (1,000) |
| Net decrease in cash and cash equivalents | | (20,684) | 3,682 |
| Cash and cash equivalents at the beginning of the year | | 34,171 | 30,493 |
| Effect of exchange rate fluctuations on cash held | 5 | 19 | (4) |
| Cash and cash equivalents at the end of the year | 11 | 13,505 | 34,171 |

Notes to the financial statements

1) General

Waverton Investment Management Limited ("the Company") is domiciled in England and Wales. The address of the Company's registered office is 21 St James's Square, London, SW1Y 4HB. On 13th January 2014 the Company rebranded from J O Hambro Investment Management Limited to Waverton Investment Management Limited. This was a change in name only and we continue with business as usual.

2) Significant accounting policies

a) Statement of compliance

The Company's financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") and the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of preparation

The financial statements are presented in pounds sterling ('GBP'), rounded to the nearest thousand. They are prepared on the historical cost basis.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these financial statements are set out in Note 3.

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 if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

Certain reclassifications have been made to the prior year Financial Statements of the Company to conform to the current year's presentation and had no impact on net profit / (loss) or total equity.

Standards and interpretations

Standards and interpretations affecting the financial statements

The Company has adopted the following amendments and interpretations in the current year:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income. In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments impact presentation only, and therefore the adoption of the amendments on 1 January 2013 did not have an impact on the Company's financial position, results of operation or cash flows.
- Amendments to IAS 19 Employee Benefits. In June 2011, the IASB issued Amendments to IAS 19 "Employee Benefits" (IAS 19). Among other changes, the amendments eliminate the option that allowed an entity to defer the recognition of changes in net defined benefit liability and amend the disclosure requirements for defined benefit plans and multi-employer plans. The adoption of IAS 19 on 1 January 2013 did not have an impact on the Company's financial position, results of operation or cash flows.

- **IFRS 13 Fair Value Measurement** In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13) IFRS 13 defines fair value, sets out a framework for measuring fair value and requires certain disclosures about fair value measurements IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances The adoption of IFRS 13 on 1 January 2013 did not have a material impact on the Company's financial position, results of operation or cash flows IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs
- **IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities** In December 2011, the IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7) The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position The amendments to IFRS 7 relate to disclosure only and therefore did not have an impact on the Company's financial position, results of operation or cash flows
- **Annual Improvements to IFRS 2009-2011 Cycle** In May 2012, The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle", (Improvements to IFRS), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary The Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards The adoption of the Improvements to IFRS on 1 January 2013 did not have an impact on the Company's financial position, results of operation or cash flows

Standards and Interpretations endorsed by the EU and not yet effective

The Company is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective

- **IAS 27 Separate Financial Statements** In May 2011, the IASB issued an amended version of IAS 27 "Separate Financial Statements" (IAS 27) IAS 27 outlines the accounting and disclosure requirements for separate financial statements IAS 27 standard is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014 The adoption of IAS 27 on 1 January 2014 did not have a material impact on the Company's financial position, results of operation or cash flows
- **IAS 32 Offsetting Financial Assets and Financial Liabilities** - In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32) The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation' The amendments are effective for annual periods beginning on or after 1 January 2014 The adoption of IAS 32 on 1 January 2014 did not have a material impact on the Company's financial position, results of operation or cash flows

Standards and Interpretations not endorsed by the EU and not yet effective

The Company is not required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU

- IFRS 9 Financial Instruments In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities IFRS 9 is effective for annual periods beginning on or after 1 January 2018 The Company is currently evaluating the impact of adopting IFRS 9
- IFRIC 21 Levies In May 2013, the IASB issued "Levies" (IFRIC 21) The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 When endorsed the adoption of IFRIC 21 will not have a material impact on the Company's financial position, results of operation or cash flows Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle In December 2013, the IASB issued both "Annual Improvements to IFRSs Cycle 2010-2012" and "Annual Improvements to IFRSs Cycle 2011-2013" (Improvements to IFRSs), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary The Improvements to IFRSs are effective for annual periods beginning on or after 1 July 2014 The Company is currently evaluating the impact of adopting these Improvements to IFRSs

c) Foreign currency

The Company's functional currency is GBP Transactions denominated in currencies other than GBP are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to GBP at the foreign exchange rate ruling at that date Foreign exchange differences arising from translation are recognised in the Statement of Comprehensive Income Non-monetary assets and liabilities denominated in foreign currencies at the balance sheet date are not re-valued for movements in foreign exchange rates

d) Cash and cash equivalents

For the purpose and preparation of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for the purpose of cash management

e) Financial assets

Management determines the classification of the Company's financial assets at initial recognition into one of the following categories loans and receivables, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss, and re-evaluates this designation at each reporting date as management determine applicable

For fair value measurements recognised in the balance sheet, IFRS 7 requires certain fair value disclosures for each class of financial instruments For this purpose, IFRS 7 requires an entity to classify fair value measurements into a fair value hierarchy, with the following levels, by reference to the observability and significance of the inputs used in making the measurement

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

Loans and receivables are recognised when cash is advanced to borrowers They are initially recorded at fair value plus any directly attributable transaction costs and subsequently carried at

amortised cost less impairment loss. Interest is recognised on an effective yield basis. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments including premiums, discount, fees and transaction costs but not future credit losses.

The Company assesses at each balance sheet date whether there is objective evidence that a receivable position or a portfolio of such positions is impaired. An individual receivable position or portfolio of positions is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The amount of the loss is recognised in the Statement of Comprehensive Income. An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of the receivable balance in accordance with the original contractual terms of the agreement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership.

f) Financial liabilities

Financial liabilities include intra-group borrowings, external borrowings, overdrafts and payables. Intra-group, external borrowings and payables are recognised initially at fair value net of transaction costs. These borrowings are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current unless the Company has an unconditional right to defer the liability for at least 12 months after the balance sheet date.

g) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in the Statement of Comprehensive Income, the related income tax initially recognised in equity is also subsequently recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date.

For UK corporation tax purposes the Company may surrender or claim losses from another UK group Company. The surrendering Company will be compensated in full for the value of the tax losses surrendered by the claimant Company.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The principal temporary differences arise from the depreciation of property, plant and equipment and other short term temporary differences. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the balance sheet, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is

no longer probable that the related tax benefit will be realised

Deferred tax liability is recognised on taxable temporary differences arising on un-remitted earnings of subsidiaries except to the extent that it is probable that such temporary differences will not reverse in the foreseeable future

Information as to the calculation of income tax on the profit or loss and deferred tax for the periods presented is included in Notes 9 and 16

h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows

| | |
|-----------------------------------|---|
| Leasehold improvements | Between purchase date and next lease break date |
| Furniture, fittings and equipment | 4 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

i) Provision for restoration costs

Provision has been made for the cost of restoring the leased property to its original condition at the end of the lease period, currently expected to be approximately £300k. The lease expires on 24 September 2015 and the provision is based on the estimate of the current cost of the work required. This is assessed at each balance sheet date.

j) Operating leases

The total payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

k) Revenue

Revenue primarily consists of management fees, performance fees, net commission on dealing and the net margin derived from placing client funds on deposit. All amounts are calculated on an accrued basis where such income is reasonably foreseeable or recognised as the Company gains the right to be paid.

l) Interest income and expense

Interest income and expense includes interest income and expense on the Company's financial instruments owned, short-term and long-term borrowings. These are recorded using the effective interest rates of the financial assets or financial liabilities to which they relate.

m) Retirement benefit costs

The Company has only defined contribution pension plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

n) Dividends

Dividends are recognised in retained earnings when paid. Dividend income is recognised in the Statement of Comprehensive Income on a paid basis.

3) Critical accounting estimates and judgements in applying accounting policies

In order to prepare the financial statements in accordance with IFRS, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent, reasonable and consistently applied. For further information on significant accounting pronouncements, refer to note 2.

Management believes that the critical accounting estimates discussed below involve the most complex judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Income taxes

Deferred tax valuation

Deferred tax assets (DTA) and liabilities (DTL) are recognised to reflect the estimated amounts of income tax recoverable/payable in future periods in respect of temporary differences and unused carry forward of tax losses. For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Similarly, a deferred tax asset is recognised on unused carry forward tax losses to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses can be utilised.

Periodically, management evaluates the probability that taxable profits will be available against which the deferred tax assets recognised for deductible temporary differences and unused carry forward tax losses can be realised. Within this evaluation process, management also considers tax planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty but management also evaluates the factors contributing to the losses and consider whether or not there are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors some of which are beyond management's control such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits or changes in our estimate of future taxable profits and potential restructurings could lead to changes in the amount of DTA that are realisable or considered realisable and would require a corresponding adjustment to the level of DTA.

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Company may accrue for tax contingencies which may be adjusted due to changing facts and circumstances, such as case law, progress of audits or when an event occurs requiring a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

4) Revenue

Revenue is arrived at as follows

| | 2013 £000 | 2012 £000 |
|-----------------------------------|---------------|---------------|
| Fees | 26,452 | 22,198 |
| Brokerage commission | 1,414 | 1,367 |
| Placing and unit trust commission | 231 | 387 |
| Margin on client money | 485 | 1,209 |
| Miscellaneous income | 10 | 14 |
| | <u>28,592</u> | <u>25,175</u> |

5) Profit before taxation

Profit on ordinary activities before taxation is stated after charging the following

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Depreciation of property, plant and equipment | 101 | 110 |
| Auditors' and their associates | | |
| Audit of financial statements | 40 | 40 |
| Exchange losses / (gains) | (19) | 4 |
| Payments for operating leases | 937 | 952 |
| Additional payments relating to the FSCS levy | - | 163 |

6) Emoluments of Statutory Directors

Excluding pension contributions, the aggregate amount of emoluments of the highest paid Statutory Director were £344,313 (2012 £434,900) The Company also contributed £32,813 to their pension scheme during the year (2012 £32,025)

| | 2013 £000 | 2012 £000 |
|---|----------------------------|---------------------------|
| Statutory Directors' emoluments | 1,867 | 1,213 |
| Company contributions to pension schemes invested on a money purchase basis in respect of 14 Statutory Directors (2012 8) | <u>189</u> <u>2,056</u> | <u>94</u> <u>1,307</u> |

7) Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, were as follows

| | 2013 | 2012 |
|-----------------|-------------------------|-------------------------|
| Fund management | 37 | 37 |
| Administration | <u>72</u> <u>109</u> | <u>72</u> <u>109</u> |

The aggregate payroll costs of these persons were as follows

| | 2013 £000 | 2012 £000 |
|--|---------------|---------------|
| Wages and salaries | 12,555 | 11,986 |
| Social security costs | 962 | 965 |
| Other pension costs | 1,157 | 1,143 |
| Amounts written back under long term incentive schemes | - | <u>(900)</u> |
| | <u>14,674</u> | <u>13,196</u> |

Other pension costs relate to the Company's contributions due to the defined contribution pension schemes for the benefit of all employees

8) Other income

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Interest income from short term deposits | <u>94</u> | <u>258</u> |

9) Taxation

| Current tax | 2013 £000 | 2012 £000 |
|---|----------------------|----------------------|
| Tax charge in respect of the year | 1,667 | 1,204 |
| Adjustments in respect of previous years | <u>(25)</u> | <u>-</u> |
| Total current tax | <u>1,642</u> | <u>1,204</u> |
| Group relief payable to Credit Suisse | <u>-</u> | <u>1,204</u> |
| Deferred Tax | | |
| Origination and reversal of temporary differences | 41 | 524 |
| Adjustments in respect of previous periods | 15 | - |
| Effect of tax rate change | 29 | 34 |
| Total deferred tax | <u>85</u> | <u>558</u> |
| Income tax charge | <u>1,727</u> | <u>1,762</u> |
| | 2013 £000 | 2012 £000 |
| Profit on ordinary activities before taxation | 7,171 | 6,747 |
| Profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 23 25% (2012 24 5%) | 1,667 | 1,652 |
| Other Permanent differences | 41 | 76 |
| Adjustments to current tax in respect of previous periods | (25) | - |
| Adjustments to deferred tax in respect of previous periods | 15 | - |
| Effects of change in tax rate | <u>29</u> | <u>34</u> |
| Income tax charge | <u>1,727</u> | <u>1,762</u> |

As at 31st December 2013 year end, the group relief payable to Credit Suisse comprises of £1,081k

The 20th March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge accordingly.

Further information about deferred income tax is presented in Note 16

10) Property, plant and equipment

| | Leasehold improvements | Fixtures, fittings & equipment | Total |
|---------------------------------|---------------------------|--------------------------------------|--------------|
| | £000 | £000 | £000 |
| Cost | | | |
| At 1 January 2013 | 300 | 278 | 578 |
| Additions | - | 72 | 72 |
| Disposals | - | - | - |
| Write-offs | - | (53) | (53) |
| At 31 December 2013 | <u>300</u> | <u>297</u> | <u>597</u> |
| Accumulated depreciation | | | |
| At 1 January 2013 | (213) | (128) | (341) |
| Charge for the year | (31) | (70) | (101) |
| Disposals | - | - | - |
| Write-offs | - | 53 | 53 |
| At 31 December 2013 | <u>(244)</u> | <u>(145)</u> | <u>(389)</u> |
| Net book value | | | |
| At 31 December 2012 | <u>87</u> | <u>150</u> | <u>237</u> |
| At 31 December 2013 | <u>56</u> | <u>152</u> | <u>208</u> |

11) Cash and cash equivalents

| | 2013 £000 | 2012 £000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | <u>13,505</u> | <u>34,171</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates their fair value.

12) Trade and other receivable

| | 2013 £000 | 2012 £000 |
|-------------------|--------------|--------------|
| Trade receivables | 497 | 72 |
| Other receivables | 515 | 833 |
| Accrued income | <u>7,085</u> | <u>5,953</u> |
| | <u>8,097</u> | <u>6,858</u> |

13) Other assets

| | 2013 £000 | 2012 £000 |
|-------------|--------------|--------------|
| Prepayments | <u>922</u> | <u>1,012</u> |

14) Trade and other payables

| | 2013 | 2012 |
|---------------------------------------|--------------|--------------|
| | £000 | £000 |
| Staff cost liabilities | 3,929 | 2,955 |
| Other liabilities | 724 | 721 |
| Trade payables | 158 | 363 |
| Other payables | 378 | 749 |
| Accruals | 348 | 763 |
| 2013 Tax Accrual | 1,642 | - |
| Group relief payable to Credit Suisse | <u>1,081</u> | <u>2,797</u> |
| | <u>8,260</u> | <u>8,348</u> |

15) Provision for restoration costs

Provision has been made for the cost of restoring the leased property to its original condition at the end of the lease period, currently expected to be approximately £300k. The lease expires on 24 September 2015 and the provision is based on the estimate of the current cost of the work required. This is assessed at each balance sheet date.

16) Deferred tax

Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 20% (2012: 23%).

| | 2013 | 2012 |
|---|-------------|-------------|
| | £000 | £000 |
| The movement for the year on the deferred tax account is as follows | | |
| At the beginning of the year | 283 | 841 |
| Benefit to income for the year | (41) | (524) |
| Prior year adjustments | (15) | - |
| Effect of change in tax rate | <u>(29)</u> | <u>(34)</u> |
| At end of year | <u>198</u> | <u>283</u> |

Deferred tax assets are attributable to the following items

| | | |
|--|------------|------------|
| Decelerated tax depreciation | 186 | 265 |
| Other short term temporary differences | <u>12</u> | <u>18</u> |
| At end of year | <u>198</u> | <u>283</u> |

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. The main rate of corporation tax for the tax year beginning 1 April 2013 reduced from 24% to 23%. This resulted in a weighted average of 23.25% for the year ended 31 December 2013 (2012: 24.5%).

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date. The effect of this tax rate reduction upon the Company's deferred tax balance cannot be reliably quantified at this stage.

17) Issued share capital

| | 2013 | 2012 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Ordinary shares of £1 each | 21,322 | 21,322 |
| O1 ordinary shares of £1 each | 222 | 222 |
| O2 ordinary shares of £1 each | 1,000 | 1,000 |
| O3 ordinary shares of £1 each | <u>100</u> | <u>100</u> |
| | <u>22,644</u> | <u>22,644</u> |

18) Capital adequacy

The Company's lead regulator, the Financial Conduct Authority (FCA), sets and monitors capital requirements for the Company. In implementing current capital requirements the FCA requires the Company to have capital in excess of its capital requirements.

Capital is calculated in three 'Tiers'. Tier 1 is share capital, share premium, non-cumulative preference shares and audited reserves, adjusted to reflect differences in regulatory treatments for certain asset portfolios. Tier 2 is other preference shares and long term subordinated debt and Tier 3 is trading book profits and short term subordinated debt adjusted for illiquid assets and qualifying property. The capital requirements are calculated and split into expenditure, risk, foreign exchange and other asset requirements. The capital of the Company is detailed below.

| | 2013 | 2012 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| Issued share capital | 23 | 23 |
| Share premium account | 313 | 313 |
| Retained earnings | <u>11,767</u> | <u>29,039</u> |
| Core tier 1 capital | 12,103 | 29,375 |
| Deductions from tier 1 | - | - |
| Core tier 1 capital after deductions | <u>12,103</u> | <u>29,375</u> |
| Deductions from total capital | | |
| Illiquid assets | <u>(2,917)</u> | <u>(3,174)</u> |
| Total capital after deductions | <u>9,186</u> | <u>26,201</u> |

The capital balances and capital requirements are monitored on an ongoing basis by the Company's finance department. Funding from the shareholders would be made available to meet capital requirements if the need arose, after being approved by the shareholders.

The Company's policy is to maintain a strong capital base so as to provide returns to the shareholders and sustain future development of the business. The Board of Directors monitor the capital base and the return of capital to investors.

The Company must at all times monitor and demonstrate its compliance with the relevant regulatory capital requirements of the FCA. The Company has put in place processes and controls to monitor and manage the Company's capital adequacy and no breaches were reported to the FCA during the year.

19) Operating leases

The following table sets forth the details of future minimum payments the Company is committed to under non-cancellable operating leases

| | 2013 £000 | 2012 £000 |
|-------------------|--------------|--------------|
| Within 1 year | 911 | 911 |
| Between 1-2 years | <u>683</u> | <u>1,593</u> |
| | <u>1,593</u> | <u>2,504</u> |

20) Fair value of financial instruments

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the financial statements. All non-financial instruments such as deferred tax assets and property, plant and equipment are excluded. There are no financial assets or financial liabilities which require disclosure by IFRS 7 fair value level hierarchy.

For trade and other receivables, other assets and short term borrowings the fair value is assumed to approximate book value, given the short term nature of these financial instruments.

Financial assets

As at 31 December 2013

| | Book value £000 | Fair value £000 |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents | 13,505 | 13,505 |
| Trade and other receivables | <u>8,097</u> | <u>8,097</u> |
| Financial assets | <u>21,602</u> | <u>21,602</u> |

As at 31 December 2012

| | Book value £000 | Fair value £000 |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents | 34,171 | 34,171 |
| Trade and other receivables | <u>6,858</u> | <u>6,858</u> |
| Financial assets | <u>41,029</u> | <u>41,029</u> |

Financial liabilities

As at 31 December 2013

| | Book value £000 | Fair value £000 |
|------------------------------|----------------------|----------------------|
| Intercompany liability | 4,581 | 4,581 |
| Trade and other payables | 5,537 | 5,537 |
| Other liabilities | 1,081 | 1,081 |
| Financial liabilities | <u>11,199</u> | <u>11,199</u> |

Financial liabilities

As at 31 December 2012

| | Book value £000 | Fair value £000 |
|------------------------------|----------------------|----------------------|
| Intercompany liability | 4,538 | 4,538 |
| Trade and other payables | 5,551 | 5,551 |
| Other liabilities | 2,797 | 2,797 |
| Financial liabilities | <u>12,886</u> | <u>12,886</u> |

21) Financial instruments risk position

Overview

The Company's risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with control framework and in consideration of industry best practices. The primary responsibility for risk management lies with Waverton's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputational risk.

Risk management principles

The prudent taking of risk is fundamental to the business of Waverton. The primary objectives of risk management are to protect the financial strength and the reputation of Waverton, while looking to ensure that capital is well deployed to maximise income and shareholder value. Waverton's risk management framework is based on the following principles, which apply universally across all risk types:

- Protection of financial strength. Waverton manages risk in order to limit the impact of potentially adverse events on Waverton's capital and income. Waverton's risk appetite is to be consistent with its financial resources.
- Protection of reputation. The value of Waverton's franchise depends on its reputation. Protecting a strong reputation is both fundamental and an overriding concern for all staff members.
- Risk transparency. Risk transparency is essential so that risks are well understood by senior management and members of the Waverton Board of Directors and can be balanced against business goals.
- Management accountability. Waverton is organised into segments that own the comprehensive risks assumed through their operations. Management of each segment is responsible for the ongoing management of their respective risk exposures and earning a sufficient long term return for the risks taken.
- Independent oversight. Risk management is a structured process to identify, measure, monitor and report risk. The risk management, controlling and legal and compliance functions operate independently of the front office to ensure the integrity of Waverton's control processes. The risk management functions are responsible for implementing all relevant risk policies, developing tools to assist senior management to determine risk appetite and assessing the overall risk profile of Waverton.

Risk management oversight

Risk management oversight is performed at several levels in the organisation. Key responsibilities lie with the following management bodies and committees:

Risk management oversight at the Waverton management level as at 31 December 2013

- The Risk Committee is responsible for reviewing and evaluating the firm's risks, these include credit, market, business, liquidity, systems and concentration risks. The committee meets once a month. The Finance department is responsible for the monitoring and reporting of capital adequacy.
- Waverton Executive Management (Management Committee and Executive Committee). Responsible for implementing the strategy and actively managing its portfolio of businesses and its risk profile with the objective of balancing risk and return appropriately in the prevailing market conditions.

a Market risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as market volatilities.

21) Financial instruments risk position (continued)

The Company is exposed to market risk with regards to foreign currency and interest rates. It is also significantly exposed to investment markets including equities, bonds and commodities. These form the majority of the clients' investments, on which management fees are charged as a percentage of their value. Due to the varied nature of investments, it is not reasonable to assess the impact on profit of movements in equity markets. However, using the FTSE World Index Total Return GBP as an indicator of equity markets, over the period 1 January 2013 to 31 December 2013 both Assets under Management and the market rose, in the ratio 1.09:1.00 (2012: 0.62:1.00).

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company may enter into transactions denominated in currencies other than its functional currency. Consequently the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Company's assets or liabilities denominated in currencies other than GBP. Management do not actively manage this risk.

As at 31 December 2013, the Company had foreign company exposure of USD 0.88 million in net assets. A change of 50 basis points in the USD exchange rate at the balance sheet date would have increased/(decreased) profit by £4,405/(£4,361) (2012: £4,698/(£4,651)).

As at 31 December 2012, the Company had foreign currency exposure of EUR 0.80 million in net assets. A change of 50 basis points in the EUR exchange rate at the balance sheet date would have increased/(decreased) profit by £4,035/(£3,995) (2012: £2,078/(£2,058)).

Interest rate risk

The Company is subject to interest rate risk based on the variable interest earned/charged on the bank balances. The exposure of this balance is £13.5 million (2012: £34.2 million). The Company does not actively manage this risk.

A change of 50 basis points in interest rates during 2013 would have increased/decreased profit by £67,523 (2012: £170,855).

b Concentration risk

Since the Company does not take proprietary positions and has minimal levels of credit exposure, it is not exposed to potential sources of concentration risk such as sector, industry, country or group exposure.

c Credit risk

Overview

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company does not undertake lending activity as part of its business. Its debtors typically consist of amounts which arise incidentally to its business such as management fee income receivable. The Company has a mandate to debit fees directly from the client portfolio in approximately 80% of cases. The Company's assets are not held as collateral nor are they encumbered. The Company regularly assesses the liquidity of its assets in order to assess its ability to comply with capital adequacy requirements.

21) Financial instruments risk position (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement

| | 2013 £000 | 2012 £000 |
|-----------------------------|----------------------|----------------------|
| Trade and other receivables | 8,097 | 6,858 |
| Cash and cash equivalents | <u>13,505</u> | <u>34,171</u> |
| | <u>21,602</u> | <u>41,029</u> |

Distribution of loans and receivables by credit quality

| | 2013 £000 | 2012 £000 |
|-------------------------------|---------------|---------------|
| Neither past due nor impaired | <u>21,602</u> | <u>41,029</u> |

Trade and other receivables neither past due nor impaired consist of trade receivables and accruals from funds which are managed by the Company. These funds do not themselves have credit ratings however historically and presently there are no past due amounts to the Company.

d. Liquidity risk

Overview

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's own cash balances are held in call accounts or short-term deposit accounts. All client assets are clearly segregated from the Company's assets.

The Company's assets are not held as collateral nor are they encumbered. The Company regularly assesses the liquidity of its assets in order to assess its ability to comply with capital adequacy requirements.

The following table sets out details on the remaining contractual maturity of all financial liabilities.

As at 31 December 2013 £000

| | On Demand | Less than one year | 1-3 Years | 3-5 years | >5 years | Total |
|------------------------------------|--------------|-----------------------------|--------------|--------------|-------------|---------------|
| Other liabilities | 1,081 | - | - | - | - | 1,081 |
| Trade and other payables | 5,537 | - | - | - | - | 5,537 |
| Intercompany liability | - | 4,581 | - | - | - | 4,581 |
| Total financial liabilities | 6,618 | 4,581 | - | - | - | 11,199 |

As at 31 December 2012 £000

| | On Demand | Less than one year | 1-3 Years | 3-5 years | >5 years | Total |
|------------------------------------|--------------|-----------------------------|--------------|--------------|-------------|---------------|
| Other liabilities | 2,797 | - | - | - | - | 2,797 |
| Trade and other payables | 5,551 | - | - | - | - | 5,551 |
| Intercompany liability | - | 4,538 | - | - | - | 4,538 |
| Total financial liabilities | 8,348 | 4,538 | - | - | - | 12,886 |

22) Related party transactions

The Company enters into transactions with related parties in the ordinary course of business on market terms

Related party assets and liabilities

Waverton has related party liabilities to group companies of £4,581k (2012 £4,538k)

23) Parent and ultimate holding company

The Company is a 74% owned subsidiary of JOHIM (Holdings) Limited and a 26% associate of J O Hambro Asset Management Limited both of which form part of the group wholly owned by JOHIM CS Limited

In accordance with section 400 of the Companies Act 2006, the Company is exempt from preparing consolidated financial statements, as the Company is a 100% owned subsidiary of BNL Investments UK Limited, which prepares consolidated accounts. The ultimate holding company is Somers Limited which is incorporated in Bermuda

Copies of the group financial statements of the parent undertaking and of the ultimate holding company prior to the change of control, which are those of the smallest (JOHIM CS Limited) and largest (Credit Suisse Group) groups in which the results of the Company are consolidated, are available to the public at Crown Way, Maindy, Cardiff and Credit Suisse Group, Paradeplatz, P O Box 1, 8070 Zurich, respectively

Copies of the group financial statements of the parent undertaking and of the ultimate holding company post the change of control, which are those of the smallest (BNL Investment UK Limited) and largest (Somers Group) groups in which the results of the Company are consolidated, are available to the public at Crown Way, Maindy, Cardiff and Somers Limited, 19 Par-La-Ville Road, Hamilton, HM 11 Bermuda respectively

24) Subsequent Events

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date