

**WAVERTON**  
INVESTMENT MANAGEMENT  
LIMITED

**Annual Report and Accounts**

**Year Ended 30 September 2015**

THURSDAY



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**Strategic report**

The strategy of the Company is to provide discretionary investment management services to a wide range of high net worth private clients, charities and institutional clients. The Company's principal source of revenue is investment management fees which are charged periodically to client portfolios. The largest cost to the Company is personnel costs, the operating model being that clients have direct contact with their portfolio manager rather than a relationship manager. In order to grow the business efficiently and to provide attractive returns for shareholders, emphasis is placed on growing the more scalable investment services. Discretionary management of investment portfolios for private clients remains at the heart of the Company, although investment has been focused in recent years on developing the following more scalable areas of the business, in particular the global equity institutional business, charities and funds.

The principal activities of the Company, therefore, 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.

Following strategic reviews of the business conducted during 2014 and 2015, the Company comprises five business groups: Core Private Clients, Managed Funds Services, Charities, Specialist Equity Mandates and Funds, and Fixed Income. 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, continued investment in top quality investment and client facing personnel as well as initiatives to streamline efficiencies in the Company's systems and processes.

The Company also seeks to look for business opportunities and to work closely with the companies within the Somers Group, the majority shareholder of the Company. Cooperation in areas such as business development with group companies in Bermuda or Asia, and cooperation in Information Technology and Compliance all assist the Company with its strategic objectives.

The Company has a single location, 16 Babmaes Street, in the West End of London. The headcount as at 30 September 2015 was 120 of which 29 have direct client relationships. 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 (85%). AUM at 30<sup>th</sup> September 2015 was £4,312m (2014: £5,194m). In February 2015 the lead manager of the Waverton European Fund left Waverton to join Odey Asset Management LLP (OAM). In order to provide continuity of management and to safeguard clients' interests Waverton entered into an agreement with OAM to novate the European Fund to OAM. The effect of this was a reduction in AUM of £1,178m. Adjusting for the outflow of the European Fund overall AUM fell by £192m to £4,312m, with the FTSE World Index Total Return 0.83% up over the year.

The results for the year to 30 September 2015 compared to the 9 month period to 30 September 2014 reflect increased earnings derived from the Waverton European fund and strong markets for Q1 and Q2 2014/15 before a more suppressed outlook. During the year ending September 2015 Waverton moved offices from St James's Square to 16 Babmaes Street due to lease expiry. The lease on the new property is for 10 years which began in May 2015. Expenditure during the year includes additional costs for the period May – September due to dual occupancy whilst the new offices were being prepared as well as the associated professional services costs of lease negotiations and moving office. Profit before taxation of £7.4m (9 month 2014: £6.2m) based upon revenue of £31.3m (9 month 2014: £22.8m) which delivered to the shareholders profit after tax of £5.9m (9 month 2014: £4.8m).

The capital adequacy cover for the company as at 30<sup>th</sup> September 2015 was 1.7 times the required liquid capital (2014: 2 times). The Directors do not propose a further dividend in respect of the year ended 30<sup>th</sup> September 2015.

**Discussion of Risks and Uncertainties in Financial Markets**

Following a period of trending financial markets, volatility has recently increased driven by negative revisions to global demand and corporate profits, significant falls in commodity prices, the emergence of divergent international monetary policies and increasing concerns about credit quality in high yield corporates and emerging markets. Volatility has been particularly acute in currency markets. The factors behind these recent increases in volatility look set to remain uncertain and in the UK concerns about Brexit add an additional geopolitical uncertainty.

During the second half of 2015, increased evidence of weak global demand driven primarily by a slowdown in China, emerging markets and an anaemic Eurozone have weighed upon expectations for global growth and corporate profitability. At the same time, monetary policy and discount rates in credit markets have begun to diverge globally.

These developments are occurring after a period of significant monetary policy driven asset price inflation, significantly in excess of increases in economic activity and as such driven by increased financial leverage. Weak demand and increased volatility exacerbates the risks to asset prices going into 2016.

A significant fall in asset prices and/or increased volatility could significantly impact the economics of investment management firms, especially when fees and income are based upon ad valorem fee structures. This is particularly relevant to Waverton as a high proportion of overall revenue is derived from this source. Furthermore, investment performance for clients is potentially more divergent in a volatile environment which is both a business risk and opportunity.



Andrew Fleming  
Chief Executive Officer

**Directors' Report****Directors and Directors' Interests**

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

J A Anderson*	
H J Grootenhuis*	Resigned 13 <sup>th</sup> July 2015
A N R Fleming	Appointed 30 <sup>th</sup> July 2015
A A Percy	
D F Chaplin* (Alternate)	
C M Rose (Alternate)	
W A M Francklin (Alternate)	

The Non-Executive Directors of the Company who served during the period, are listed below:

V Gould	
C Jillings	
C Keljik	
D Morgan*	
Sir B Williamson	Resigned 27 <sup>th</sup> April 2015
P Troughton	
W McLeland (Alternate)	
S Pope (Alternate)	

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

**Regulator**

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

**Insurance**

Throughout the period, 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 period amounted to £48,575 (2014: £41,516).

Political donations made by the Company during the period amounted to nil (2014: nil).

**Risk Management**

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

**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.

**Dividends**

Dividends of £2.6m were paid during the year (2014: £4m). The Directors do not propose another dividend in respect of the year ended 30 September 2015.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**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.

**Subsequent Events**

The Company is in the process of becoming a 100% direct subsidiary of BNL Investments UK Limited ("BNL") from its prior status as a 100% indirect subsidiary.

**Other Matters**

In December 2014 a cheque for £261,488 was received from the Financial Services Compensation Scheme (FSCS) as a rebate on a previously expensed charge relating to funding the compensation scheme. The corporate failure of Keydata led to a cross-charge from the FSCS to all regulated investment management firms, Waverton incurred costs of £869,716 in 2010 and £163,485 in 2012. We have been informed that the eligible applications for compensation from the scheme were lower than originally anticipated and as such a rebate has been procured. This amount has been included as a credit to administrative expenses.

**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, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

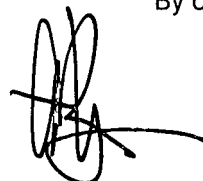
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required 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 19 January 2016.

By order of the Board



Andrew Fleming  
Chief Executive Officer

16 Babmaes Street  
London  
SW1Y 6AH

**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 30 September 2015 set out on pages 8 to 26. 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](http://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 30 September 2015 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 the 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 LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

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## Statement of Comprehensive Income

	Note	Year ended 30 September 2015 £000	9 months period ended 30 September 2014 £000
Revenue	4	31,290	22,779
Administrative expenses		(23,890)	(16,571)
<b>Operating profit</b>		<b>7,400</b>	<b>6,208</b>
Other income	8	26	22
<b>Profit before taxation</b>		<b>7,426</b>	<b>6,230</b>
Income tax charge		(1,548)	(1,406)
<b>Profit after tax attributable to equity holders of the company</b>		<b>5,878</b>	<b>4,824</b>

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

All profits for both 2015 and 2014 are from continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

## Statement of Financial Position

	Note	As at 30 September 2015 £000	As at 30 September 2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	2,014	202
Deferred tax asset	16	-	154
<b>Current assets</b>			
Trade and other receivables	12	10,268	10,958
Other assets	13	997	1,166
Intercompany Receivable	23	9,948	4,834
Cash and cash equivalents	11	7,994	8,837
<b>Total assets</b>		<b><u>31,221</u></b>	<b><u>26,151</u></b>
<b>Current liabilities</b>			
Trade and other payables	14	6,330	5,335
Intercompany liability	23	6,227	4,569
Tax liability		2,180	3,004
Deferred tax liability	16	6	-
<b>Non-current liabilities</b>			
Provision for restoration costs	15	256	300
<b>Total liabilities</b>		<b><u>15,000</u></b>	<b><u>13,208</u></b>
<b>Capital and reserves</b>			
Issued share capital	17	23	23
Share premium account		313	313
Retained earnings		15,885	12,607
<b>Total equity</b>		<b><u>16,221</u></b>	<b><u>12,943</u></b>
<b>Total equity and liabilities</b>		<b><u>31,221</u></b>	<b><u>26,151</u></b>

The notes on pages 12 to 26 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 January 2016 and signed on its behalf by:



Andrew Fleming  
Chief Executive Officer

## Statement of Changes in Equity

For the year ended 30 September 2015

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance as at 31 January 2014	23	313	11,783	12,119
Profit after tax	-	-	4,824	4,824
Dividend paid	-	-	(4,000)	(4,000)
Balance as at 30 September 2014	<u>23</u>	<u>313</u>	<u>12,607</u>	<u>12,943</u>
Profit after tax	-	-	5,878	5,878
Dividend paid	-	-	(2,600)	(2,600)
Balance as at 30 September 2015	<u>23</u>	<u>313</u>	<u>15,885</u>	<u>16,221</u>

## Statement of Cash Flows

	Note	Year Ended 30 September 2015 £000	9 months period ended 30 September 2014 £000
<b>Cash flows from operating activities</b>			
Profit before tax for the year		7,426	6,230
<b>Adjustments for:</b>			
Depreciation	5	156	92
Foreign exchange losses / (gains)	5	<u>1</u>	<u>7</u>
		<b>7,582</b>	<b>6,322</b>
Net (increase)/decrease in operating assets:			
Trade and other receivables		(4,424)	(5,364)
Other assets		169	(244)
Net (decrease)/increase in operating liabilities:			
Trade and other payables		504	(1,191)
Corporation Tax paid		(2,213)	(1,096)
Other liabilities		<u>2,106</u>	<u>977</u>
<b>Net cash from operating activities</b>		<b>3,726</b>	<b>(589)</b>
<b>Investing activities</b>			
Capital expenditure for property, plant and equipment	10	(1,969)	<u>(86)</u>
<b>Net cash flow used in investing activities</b>		<b>(1,969)</b>	<b>(86)</b>
<b>Financing activities</b>			
Dividends paid		<u>(2,600)</u>	<u>(4,000)</u>
<b>Net cash used in financing activities</b>		<b>(2,600)</b>	<b>(4,000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>(843)</u></b>	<b><u>(4,668)</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,837</b>	<b>13,505</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>7,994</u></b>	<b><u>8,837</u></b>

**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 16 Babmaes Street, London, SW1Y 6AH. On the 1<sup>st</sup> September 2015 the company relocated from 21 St James's Square, London, SW1Y 4HB.

**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 a 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.

**Standards and interpretations**

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2014 have not been applied in preparing these financial statements:

- IFRS 9 Financial Instruments – Replaces IAS 39 and covers the recognition and measurement of financial instruments, effective for years beginning on or after 1 January 2018.
- IFRS 14 Regulatory Deferral Accounts – for a first -time adopter of IFRS, issued on 30 January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.
- IFRS 15 Revenue from Contracts with Customers – specifies how and when an IFRS reporter will recognise revenue, issued on 28 May 2014 and applies to an annual reporting period beginning on or after 1 January 2017.

The Company is in the process of evaluating the potential effect of these standards and will adopt these standards appropriately.

**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 revalued 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 period 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 period 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.

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 end of lease
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 had been made for the cost of restoring the leased property to its original condition at the end of the lease period, previously expected to be approximately £300k. The lease expired on 24 September 2015 and the provision has been adjusted based on the current cost of the work required, being £90k. Provision has been made for the cost of restoring the current leased property to its original condition at the end of the lease period, expected to be £167k. 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.

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.

**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:

	<b>Year ended 30 September 2015 £000</b>	<b>9 months period ended 30 September 2014 £000</b>
Fees	29,577	21,336
Brokerage commission	1,052	878
Placing and unit trust commission	155	82
Margin on client money	496	476
Miscellaneous income	<u>10</u>	<u>7</u>
	<b><u>31,290</u></b>	<b><u>22,779</u></b>

During the year ended 30 September 2015 there is recognition of an £849k reduction in fees earned. This is due to a miscalculation of a fee share with an external asset manager to whom the company provides support services. The error has been fully recognised in this financial year.

**5) Profit before taxation**

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	<b>Year ended 30 September 2015 £000</b>	<b>9 months period ended 30 September 2014 £000</b>
Depreciation of property, plant and equipment	156	92
Auditors' and their associates:		
Audit of financial statements	45	42
Non-Audit services (Tax-related)	15	15
Exchange losses / (gains)	1	7
(Refund of FSCS Levy)	261	-
Payments for operating leases	1,598	686

**6) Emoluments of Directors**

Excluding pension contributions, the aggregate amount of emoluments of the highest paid Director were £333,250 (2014: £304,039). The Company also contributed £33,994 to their pension scheme during the period (2014: £25,102).

	Year ended 30 September 2015 £000	9 months period ended 30 September 2014 £000
Directors' emoluments	2,143	1,655
Company contributions to pension schemes invested on a money purchase basis in respect of 13 Directors (2014: 14)	<u>168</u>	<u>144</u>
	<u>2,312</u>	<u>1,799</u>

**7) Staff numbers and costs**

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

	Year ended 30 September 2015	9 months period ended 30 September 2014
Fund management	39	40
Administration	<u>81</u>	<u>73</u>
	<u>120</u>	<u>113</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2015 £000	9 months period ended 30 September 2014 £000
Wages and salaries	12,949	9,548
Social security costs	1,083	752
Other pension costs	<u>1,216</u>	<u>868</u>
	<u>15,248</u>	<u>11,168</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**

	Year ended 30 September 2015 £000	9 months period ended 30 September 2014 £000
Interest income from short term deposits	<u>26</u>	<u>22</u>

**9) Taxation**

<b>Current tax</b>	<b>Year ended 30 September 2015 £000</b>	<b>9 months period ended 30 September 2014 £000</b>
Current tax on profits of the period	1,348	1,350
Adjustments in respect of previous periods	<u>41</u>	<u>11</u>
Total current tax	<u>1,389</u>	<u>1,362</u>

**Deferred Tax**

Origination and reversal of temporary differences	173	35
Adjustments in respect of previous periods	(9)	12
Effect of tax rate change	(4)	(3)
Total deferred tax	<u>159</u>	<u>45</u>

Income tax charge	<u>1,548</u>	<u>1,406</u>
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	<b>Year ended 30 September 2015 £000</b>	<b>9 months period ended 30 September 2014 £000</b>
Profit on ordinary activities before taxation	7,428	6,230
Profit before tax multiplied by the UK statutory rate of corporation tax at 20.50% (2014: 21.67%)	1,481	1,350
Other Permanent differences	40	36
Adjustments to current tax in respect of previous periods	41	11
Adjustments to deferred tax in respect of previous periods	(9)	12
Effects of change in tax rate	<u>(4)</u>	<u>(3)</u>
Income tax charge	<u>1,548</u>	<u>1,406</u>

The 20 March 2013 Budget announced that the rate will further reduce to 20% by 2015. The 8 July 2015 Budget announced further planned reductions in Corporation Tax rates to 18% by April 2020. This will reduce the Company's future current tax charge accordingly. The effect of this tax rate reduction upon the Company's deferred tax balance is not expected to be significant.

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
<b>Cost</b>			
At 30 September 2014	300	347	647
Additions	1,595	374	1,969
Disposals	-	-	-
Write-offs	-	(160)	(160)
At 30 September 2015	<u>1,895</u>	<u>561</u>	<u>2,456</u>
<b>Accumulated depreciation</b>			
At 30 September 2014	(275)	(170)	(445)
Charge for the year	(59)	(97)	(156)
Disposals	-	-	-
Write-offs	-	160	160
At 30 September 2015	<u>(334)</u>	<u>(107)</u>	<u>(441)</u>
<b>Net book value</b>			
At 30 September 2014	<u>25</u>	<u>175</u>	<u>200</u>
At 30 September 2015	<u>1,561</u>	<u>453</u>	<u>2,014</u>

**11) Cash and cash equivalents**

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Cash at bank and in hand	<u>7,994</u>	<u>8,837</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 receivables**

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Trade receivables	366	386
Other receivables	274	956
Rent deposit	1,137	-
Accrued income	<u>8,490</u>	<u>9,616</u>
	<u>10,268</u>	<u>10,958</u>

As part of the relocation of Waverton's main business premises a rent deposit was required, it is shown as part of trade and other receivables on the balance sheet.

**13) Other assets**

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Prepayments	<u>997</u>	<u>1,166</u>

**14) Trade and other payables**

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Staff cost liabilities	2,626	3,425
Other liabilities	1,339	36
Trade payables	757	377
Other payables	506	1,132
Accruals	1,102	365
Tax liability	2,186	3,004
	<u>8,516</u>	<u>8,339</u>

**15) Provision for restoration costs**

Provision had been made for the cost of restoring the leased property to its original condition at the end of the lease period, previously expected to be approximately £300k. The lease on 21 St James's Square expired on 24 September 2015 and the provision has been adjusted based on the current cost of the work required, being £90k. Provision has been made for the cost of restoring the current leased property to its original condition at the end of the lease period, expected to be £167k. 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% (2014: 20%).

	As at 30 September 2015 £000	As at 30 September 2014 £000
The movement for the year on the deferred tax account is as follows:		
At the beginning of the year	154	198
Benefit to income for the year	(173)	(35)
Prior year adjustments	9	(12)
Effect of change in tax rate	<u>4</u>	<u>3</u>
As at	<u>(6)</u>	<u>154</u>

Deferred tax assets are attributable to the following items:

Decelerated tax depreciation	(14)	133
Pension accrual	<u>8</u>	<u>20</u>
As at	<u>(6)</u>	<u>154</u>

Reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This resulted in a weighted average tax rate of 20.5% for the year ended 30 September 2015.

Further planned reduction to 18% by 1 April 2020 was announced on 8 July 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2015 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 is not expected to be significant.

**17) Issued share capital**

	As at 30 September 2015	As at 30 September 2014
	£	£
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.

The Company's capital requirement is known as Tier 1 Capital and comprises, share capital, share premium, non-cumulative preference shares and audited reserves, adjusted to reflect differences in regulatory treatments for certain asset portfolios. The capital of the Company is detailed below:

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Issued share capital	23	23
Share premium account	313	313
Retained earnings	15,885	12,607
Core tier 1 capital	<u>16,221</u>	<u>12,943</u>
Total capital after deductions	<u>16,221</u>	<u>12,943</u>

The capital balances and capital requirements are monitored on an ongoing basis by the Company's finance department.

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 period.

**19) Operating leases**

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

	As at 30 September 2015	As at 30 September 2014
	£000	£000
Within 1 year	1,611	911
Between 2- 5 years	6,445	-
	<u>8,056</u>	<u>911</u>

**20) Rent deposit**

	<b>30 September 2015</b>	<b>30 September 2014</b>
	<b>£000</b>	<b>£000</b>
Rent deposit	1,137	-

**21) 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 30 September 2015**

	<b>Book value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	7,994	7,994
Trade and other receivables	<u>10,268</u>	<u>10,268</u>
<b>Financial assets</b>	<b><u>18,262</u></b>	<b><u>18,262</u></b>

**As at 30 September 2014**

	<b>Book value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	8,837	8,837
Trade and other receivables	<u>10,958</u>	<u>10,958</u>
<b>Financial assets</b>	<b><u>19,795</u></b>	<b><u>19,795</u></b>

**Financial liabilities****As at 30 September 2015**

	<b>Book value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>
Intercompany liability	6,227	6,227
Trade and other payables	6,330	6,330
<b>Financial liabilities</b>	<b><u>12,557</u></b>	<b><u>12,557</u></b>

**Financial liabilities****As at 30 September 2014**

	<b>Book value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>
Intercompany liability	4,569	4,569
Trade and other payables	5,335	5,335
<b>Financial liabilities</b>	<b><u>9,904</u></b>	<b><u>9,904</u></b>

**22) 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 30 September**

- 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.
- The Waverton Audit Committee is a sub-committee of the Executive Board which meets quarterly and is the escalation point for the Waverton Risk function. The committee retains oversight of both the internal and external audit functions. The committee is comprised of three non-executive directors.



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**Financial instruments risk position (continued)****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.

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. As at 30 September 2015 the FTSE World Index Total Return was 0.83% up in comparison to 30 September 2014.

**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 30 September 2015, the Company had foreign company exposure of USD 0.81 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 £4,079/(£4,038) (2014: £4,768/(£4,720)).

As at 30 September 2015, the Company had foreign currency exposure of EUR 0.22 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 £1,109/(£1,098) (2014: £9,355/(£9,261)).

**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 £8.0 million (2014: £8.8 million). The Company does not actively manage this risk.

A change of 50 basis points in interest rates in the 12 months to 30 September 2015 would have increased/decreased profit by £39,970 (2014: £44,185).

**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 regularly assess the liquidity of its assets in order to assess its ability to comply with capital adequacy requirements.

**Financial instruments risk position (continued)**

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

	<b>As at 30 September 2015</b>	<b>As at 30 September 2014</b>
	<b>£000</b>	<b>£000</b>
Trade and other receivables	10,268	10,958
Cash and cash equivalents	<u>7,994</u>	<u>8,837</u>
	<b><u>18,262</u></b>	<b><u>19,795</u></b>

Distribution of loans and receivables by credit quality:

	<b>As at 30 September 2015</b>	<b>As at 30 September 2014</b>
		<b>£000</b>
Neither past due nor impaired	<u>18,262</u>	<u>19,795</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 regularly assess 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:

<b>As at 30 September 2015</b>						
<b>£000</b>	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	6,330	-	-	-	-	6,330
Intercompany liability	-	6,227	-	-	-	6,227
<b>Total financial liabilities</b>	<b>6,330</b>	<b>6,227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,557</b>

<b>As at 31 December 2014</b>						
<b>£000</b>	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	5,335	-	-	-	-	5,335
Intercompany liability	-	4,569	-	-	-	4,569
<b>Total financial liabilities</b>	<b>5,335</b>	<b>4,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,904</b>

**23) 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 assets to group companies of £9,948k (2014: £4,834k) and liabilities to group companies of £6,227k (2014: £4,569k).

**24) Parent and ultimate holding company**

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

**25) Subsequent Events**

The Company is in the process of becoming a 100% direct subsidiary of BNL Investments UK Limited ("BNL") from its prior status as a 100% indirect subsidiary.

Further planned reductions in Corporation Tax rates to 18% by 1 April 2020 were announced on 8 July 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2015 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 is not expected to be significant.