WAVERTON

INVESTMENT MANAGEMENT
LIMITED

Annual Report and Accounts

Year Ended 30 September 2018

Registered in England No. 2042285

Contents of the Annual Report

Strategic report

The strategy of Waverton Investment Management Limited ("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 wherever possible 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, although discretionary management of investment portfolios for private clients remains at the heart of the Company.

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 process emphasises a global approach to investing in individual direct securities wherever possible with an asset allocation overlay.

The Company comprises four business groups: Core Private Clients, Managed Portfolio Services, Charities, and Specialist Equity Mandates. The Company has also identified a number of initiatives designed to support growth and client servicing 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 ultimate parent of the Company. Cooperation in areas such as business development with group companies in Bermuda and Asia, and cooperation in Information Technology and Compliance all assist the Company with its strategic objectives.

The Company is located at 16 Babmaes Street, in the West End of London, and has a representative office located in Thailand, which provides specialist investment research to the Company. The headcount as at 30 September 2018 was 148 of which 28 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 measures for the Company is Assets Under Management ("AUM") as the vast majority of revenue is generated from periodic asset-based fees (98%). AUM at 30th September 2018 was £5,939m (2017: £5,234m).

The revenue for the year to 30 September 2018 was £37.5m (2017: £35.2m), reflecting increased revenues derived from resilient markets and net new assets generated of £326m (2017: -£183m). The expenditure for the year 30 September 2018 has also increased to £29.9m (2017: £26.6m). The increase in expenditure is largely due to investment in personnel and the change in policy to take the cost of external research onto the Company's profit and loss.

Profit before taxation was £7.6m (2017: £8.7m) which delivered to the shareholders a profit after tax of £6.0m (2017: £6.9m).

The capital adequacy cover for the company as at 30th September 2018 was 1.4 times the required liquid capital (2017: 1.3 times).

Discussion of Risks and Uncertainties

The Company is reliant upon asset-based fees for the majority of its revenue and is therefore subject to the inherent risk and uncertainty of financial markets. The Company's exposure to other risks such as interest rate, credit and concentration risk are considered in note 20.

The last 12 months has been a period characterised by increased volatility both in equities and currencies. From their lows at the end of March global equity markets rallied over the summer shrugging off fears of inflationary pressure and the negative impact of trade wars on global growth. This changed after the period end in October, with equities falling sharply as attention returned to rising interest rates, uncertainties over the strength of the Chinese economy and fears that the growth in the US economy had peaked.

President Trump expanded his tariffs on imports from China to a total of $250 billion of goods in September. The tax revenue resulting from the tariff (all other things being equal) will be $25 billion a year, a little over 1% of total Federal tax revenues. That tax is only just over 0.1% of the US economy so in and of themselves we do not think the tariffs are big enough to disrupt the global economy. But the disruption they will cause to some manufacturing and agricultural industries could make things difficult for certain individual companies.

Here in the UK the news coverage of the twists and turns in the Brexit negotiations has led to a pick up in the day to day volatility of sterling. We expect sterling to continue being volatile but it is unlikely to have a clear direction until the Brexit negotiations conclude. The Bank of England raised interest rates in August, as expected.

In Europe the Italian government's decision to fulfil some of its campaign promises and increase the budget deficit has reignited concerns that Italy is on a collision course with the European Commission in its role as enforcer of fiscal discipline on member states of the euro area. Italian bond yields remain elevated relative to the rest of the euro area, apart from Greece. For now, we do not expect this to create another euro crisis but it is a reminder that the European Central Bank will keep interest negative in the euro area for another year at least.

After the 12 month period ended, there was a sharp correction in global equity markets in October as the US 10-year treasury yield moved through the psychological 3% level. Growth stocks fell sharply as investors questioned how to value longer duration assets in a rising rate environment. Cyclical stocks also performed poorly as the sustainability of economic growth was challenged. Global growth has slowed since the start of the year and concerns are rising about the outlook, notably for the all-important US and Chinese economies, and the impact of import tariffs. We are seeing more companies reporting cost pressures from rising wages, oil and other raw materials, but we continue to expect corporate earnings to grow in 2019, albeit at a slower pace than 2018. Our focus remains on companies that have cost flexibility or pricing power to offset these pressures as well as strong balance sheets as interest rates rise.

Despite the rising risks, we continue to find good investment ideas in companies fitting four key attributes: sustainable competitive advantage, opportunity to grow future cash flow, value enhancing management strategy and attractive valuations. As an investment management team, we are still able to find compelling investment ideas in either businesses that are displaying growth or companies where valuations have become attractive as expectations have become overly bearish. Our regular meetings with companies will position us well to identify these opportunities and any changes in the economic backdrop. Those insights are shared across the team and are an important input into our asset allocation process.

Brexit Matters applicable to Waverton

The client base of the Company is predominantly UK-based however there are global clients including some resident and domiciled within the European Economic Area (EEA) which will be affected by BREXIT.

If the EU *Withdrawal Agreement* is agreed by 29 March 2019, there will be an *Implementation Period*, also referred to as the *Transition Period,* during which the UK will effectively still be in the Customs Union and part of the Single Market until 31 December 2020:

- Passporting arrangements will remain in place
- All EU regulation must be applied

Beyond 2020, the Government's stated approach to the future relationship with EU is to use and expand existing equivalence regimes; in other words, the UK recognises the Irish regulator (CBI) as a competent authority thereby facilitating a continued commitment by the FCA to allow Dublin UCITS funds to be marketed to UK retail investors.

We have discussed contingency plans which cover various outcomes that would include the use of agents in various EU countries, a passporting registration plan and the option of opening a representative office in Dublin to sit alongside our Fund platform.

We are, however, aware that the probability of a 'no deal' is growing which would require further action by Waverton in order to continue its ability to serve EEA clients. We believe that the current 'reverse solicitation' exception arrangement will continue whereby clients may approach firms across borders but there are regulations controlling marketing this activity.

The Irish regulator (CBI) and the FCA have provided comfort by signalling that in the event of no deal, a memorandum of understanding will be in place recognising the equivalence of the UK's regulatory regime (and vice versa) in the same way as an Investment Manager based in the US, thereby allowing the Company to continue as the investment manager based in the UK.

We will continue to monitor the development of negotiations between the UK and the EEA very closely. If the withdrawal agreement proceeds, there is no need for Waverton to take any action in 2019/20. The Transition Period provides for business as usual with every good intention being from both sides to continue as such beyond this date.

Signed on behalf of the Board of Directors on 15 January 2019

By order of the Board

Andrew Fleming
Chief Executive Officer

Directors' Report

Directors and Directors' Interests

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

A N R Fleming*
A A Percy*
D F Chaplin (Alternate)
C M Rose (Alternate)

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

C D O Jillings*	
D J Morgan*	
F D S Rosier*	Appointed 2nd October 2017
W J McLeland* (Alternate)	
S J Pope* (Alternate)	Resigned 27th March 2018

The Company is a 100% subsidiary of BNL Investments UK Limited.

Directors marked with Asterisk (*) above are also Directors of BNL Investments UK Limited. 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.

Directors' Indemnities

Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to directors of associated companies during the financial year and at the date of this report.

Donations

Charitable donations made by the Company during the period amounted to £8,910 (2017: £39,117).
Political donations made by the Company during the period amounted to nil (2017: nil).

Risk Management

Risk management policies are set out in Note 20 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 £4.9m were paid during the year (2017: £5.0m).

Auditor

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 Auditor

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.

Signed on behalf of the Board of Directors on 15 January 2019

By order of the Board

Andrew Fleming
Chief Executive Officer
16 Babmaes Street
London
SW1Y 6AH

Statement of Directors' responsibilities in respect of the Strategic Report, the 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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors on 15 January 2019

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

Opinion

We have audited the financial statements of Waverton Investment Management Limited ("the company") for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and related notes, including the significant accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Richard Smith

Richard Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

16 January 2019

Statement of Comprehensive Income

	Note	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Revenue	4	37,487	35,211
Administrative expenses		(29,861)	(26,573)
Operating profit		**7,626**	**8,638**
Other income	8	6	58
Profit before taxation		**7,632**	**8,696**
Income tax charge	9	(1,607)	(1,827)
Profit after tax attributable to equity holders of the company		**6,025**	**6,869**

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

All profits for both 2017 and 2018 are from continuing operations.

The notes on pages 14 to 28 form part of these financial statements.

Statement of Financial Position

	Note	As at 30 September 2018 £000	As at 30 September 2017 £000
Non-current assets			
Investment in subsidiary	22-23	140	680
Property, plant and equipment	13	1,534	1,623
Deferred tax asset	10	12	20
Current assets			
Cash at bank and in hand	11	7,960	6,385
Trade and other receivables	12	10,654	11,767
Other assets (Prepayments)	14	1,740	1,645
Intercompany receivable	24	4,997	4,620
Total assets		**27,037**	**26,740**
Current liabilities			
Trade and other payables	15	8,282	8,188
Intercompany liability	24	-	690
Tax liability		754	986
Non-current liabilities			
Provision for restoration costs	18	167	167
Total liabilities		**9,203**	**10,031**
Capital and reserves			
Issued share capital	16	23	23
Share premium account		313	313
Retained earnings		17,498	16,373
Total equity		**17,834**	**16,709**
Total equity and liabilities		**27,037**	**26,740**

The notes on pages 14 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors on 15 January 2019 and signed on its behalf by:

Andrew Fleming
Chief Executive Officer

Statement of Changes in Equity

For the year ended 30 September 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance as at 30 September 2016	**23**	**313**	**14,504**	**14,840**
Profit after tax	-	-	6,869	6,869
Dividend paid	-	-	(5,000)	(5,000)
Balance as at 30 September 2017	**23**	**313**	**16,373**	**16,709**
Profit after tax	-	-	6,025	6,025
Dividend paid	-	-	(4,900)	(4,900)
Balance as at 30 September 2018	**23**	**313**	**17,498**	**17,834**

The notes on pages 14 to 28 form part of these financial statements.

Statement of Cash Flows

	Note	Year Ended 30 September 2018 £000		Year Ended 30 September 2017 £000	
Cash flows from operating activities					
Profit before tax for the year		7,632		8,696	
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	337		332	
Impairment of subsidiary	23	344		351	
Interest received		(6)		(14)	
Dividend received		-		(44)	
Foreign exchange gains	5	(46)		(34)	
Adjustments for:					
Net (increase)/decrease in operating assets:					
Trade and other receivables		735		(2,055)	
Other assets		(95)		(249)	
Net (decrease)/increase in operating liabilities:					
Trade and other payables		296		(40)	
Tax/Group relief paid		(1,831)		(2,300)	
Other liabilities		(202)		931	
Net cash flow generated from operating activities			**7,164**		**5,574**
Investing activities					
Capital expenditure for property, plant and equipment	13	(248)		(94)	
Interest received		6		14	
Dividend received		-		44	
Acquisition of subsidiary		(493)		-	
Net cash flow used in investing activities			**(735)**		**(36)**
Financing activities					
Dividends paid		(4,900)		(5,000)	
Net cash flow used in financing activities			**(4,900)**		**(5,000)**
Net Increase/(decrease) in cash and cash equivalents			**1,529**		**538**
Cash at bank and in hand at the beginning of the year			**6,385**		**5,813**
Effect of exchange rate fluctuations on cash held	5		46		34
Cash at bank and in hand	11		**7,960**		**6,385**

The notes on pages 14 to 28 form part of these financial statements.

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.

2) Significant accounting policies

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs'). They were authorised for issue by the Company's board of directors on 15 January 2019.

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 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 October 2018 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 15 Revenue from Contracts with Customers – specifies how and when the Company will recognise revenue, and applies to an annual reporting period beginning on or after 1 January 2018.
- IFRS 16 Leases – covers the recognition, measurement, presentation and disclosure of leases, and applies to an annual reporting period beginning on or after 1 January 2019.

The Company is in the process of evaluating the potential effect of these standards and will adopt these standards in accordance with their relevant effective dates of 1 October 2018 for IFRS 9 and IFRS 15, and 1 October 2019 for IFRS 16.

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 at bank and in hand

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 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).

The Company does not have any financial instruments measured at fair value.

Loans and receivables are recognised initially 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 and payables. Intra-group 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 10.

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 has been made for the cost of restoring the current leased property to its original condition at the end of the lease period. 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.

o) Investment in subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary undertakings are accounted for at cost less impairments, in accordance with IAS 27 'Separate Financial Statements', in these financial statements.

3) Critical accounting estimates and judgements in applying accounting policies

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 September 2018 are included in the following note:

Note 23 – Impairment in subsidiary. The impairment test includes key assumptions underlying recoverable amounts, including the recoverability of loans from subsidiaries.

4) Revenue

Revenue is arrived at as follows:	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Fees	36,261	34,429
Brokerage commission	414	539
Placing and unit trust commission	36	114
FX Transactions	401	-
Margin on client money	340	117
Miscellaneous income	35	12
	37,487	35,211

5) Profit before taxation

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

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Depreciation of property, plant and equipment	337	332
Auditors' remuneration and their associates:		
Audit of financial statements	40	36
Audit related regulatory services	30	30
Non-audit services (tax-related)	10	10
Exchange gains	(46)	(34)
Payments for operating leases	1,628	1,602

6) Emoluments of Directors

Excluding pension contributions, the aggregate amount of emoluments of the highest paid Director were £549,125 (2017: £504,125). The Company also contributed nil to their pension scheme during the period (2017: nil).

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Directors' emoluments in respect of 8 Directors (2017:12)	1,460	1,595

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 2018	Year ended 30 September 2017
Fund management	44	40
Administration	98	79
	142	119

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Wages and salaries	14,568	13,774
Social security costs	1,245	1,131
Other pension costs	1,283	1,172
	17,096	16,077

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

8) Other income

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Interest income from short term deposits	6	14
Dividend from subsidiary	-	44
	6	58

9) Taxation

Current tax	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Current tax on profits of the period	1,599	1,869
Adjustments in respect of previous periods	-	1
Total current tax	1,599	1,870
Deferred tax		
Origination and reversal of temporary differences	(11)	27
Adjustments in respect of previous periods	18	(67)
Effect of tax rate change	1	(3)
Total deferred tax	8	(43)
Income tax charge	1,607	1,827

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
Profit on ordinary activities before taxation	7,632	8,696
Profit before tax multiplied by the UK statutory rate of corporation tax at 19% (2017: 19.5%)	1,450	1,696
Other permanent differences	162	200
Adjustments to current tax in respect of previous periods	-	1
Adjustments to deferred tax in respect of previous periods	18	(67)
Effects of change in tax rate	1	(3)
Share-based payments	(24)	-
Income tax charge	1,607	1,827

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10) Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on rates that have been enacted or substantively enacted by the balance sheet date.

	As at 30 September 2018 £000	As at 30 September 2017 £000
The movement for the year on the deferred tax account is as follows:		
At the beginning of the year	20	(24)
Benefit to income for the year	11	(27)
Prior year adjustments	(18)	67
Effect of change in tax rate	(1)	4
As at 30th September 2018	12	20

Deferred tax assets are attributable to the following items:

Decelerated tax depreciation on fixed assets	1	11
Pension accrual	11	9
As at 30th September 2018	12	20

11) Cash at bank and in hand

	As at 30 September 2018 £000	As at 30 September 2017 £000
Cash at bank and in hand	7,960	6,385

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

12) Trade and other receivables

	As at 30 September 2018 £000	As at 30 September 2017 £000
Trade receivables	648	850
Other receivables	115	49
Rent deposit	1,137	1,137
Accrued income	8,754	9,731
	10,654	11,767

13) Property, plant and equipment

	Leasehold improvements £000	Fixtures, fittings & equipment £000	Total £000
Cost			
At 30 September 2017	1,683	663	2,346
Additions	-	248	248
Write-offs	-	(116)	(116)
At 30 September 2018	1,683	795	2,478
Accumulated depreciation			
At 30 September 2017	(370)	(353)	(723)
Charge for the year	(168)	(169)	(337)
Write-offs	-	116	116
At 30 September 2018	(538)	(406)	(944)
Net book value			
At 30 September 2017	1,313	310	1,623
At 30 September 2018	1,145	390	1,534

14) Other assets

	As at 30 September 2018 £000	As at 30 September 20176 £000
Prepayments	1,740	1,645

15) Trade and other payables

	As at 30 September 2018 £000	As at 30 September 2017 £000
Staff cost liabilities	3,907	3,967
Other liabilities	-	34
Trade payables	882	1,118
Other payables	592	255
Accruals	2,901	2,814
	8,282	8,188

16) Issued share capital

	As at 30 September 2018 £	As at 30 September 2017 £
Ordinary shares of £1 each	21,322	21,322
Ordinary "1" shares of £1 each	222	222
Ordinary "2" shares of £1 each	1,000	1,000
Ordinary "3" shares of £1 each	100	100
	22,644	22,644

17) 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 regulatory 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 regulatory capital of the Company is detailed below:

	As at 30 September 2018 £000	As at 30 September 2017 £000
Issued share capital	23	23
Share premium account	313	313
Retained earnings	17,498	16,373
Core tier 1 capital	17,834	16,709
Deductions from tier 1	-	-
Core tier 1 capital	17,834	16,709
Deductions from total capital		
Illiquid assets	-	-
Total capital after deductions	17,834	16,709

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. The Company has maintained sufficient capital to cover regulatory requirements throughout the period.

18) Provision for restoration costs

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.

19) 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.
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 2018**	**Book value** **£000**	**Fair value** **£000**
Cash and cash equivalents	7,960	7,960
Trade and other receivables	10,654	10,654
Financial assets	18,614	18,614

As at 30 September 2017	**Book value** **£000**	**Fair value** **£000**
Cash and cash equivalents	6,385	6,385
Trade and other receivables	11,767	11,767
Financial assets	18,152	18,152

Financial liabilities **As at 30 September 2018**	**Book value** **£000**	**Fair value** **£000**
Trade and other payables	8,282	8,282
Financial liabilities	8,282	8,282

Financial liabilities **As at 30 September 2017**	**Book value** **£000**	**Fair value** **£000**
Trade and other payables	8,188	8,188
Financial liabilities	8,188	8,188

20) 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 a 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 regularly reviewed by the Board in line with its strategic objectives, risk profile and capital 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 2018

- 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 two non-executive directors.

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.

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 2018, the Company had foreign company exposure of USD1,540,000 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 £7,740/(£7,663) (2017: £2,855/(£2,827)).

As at 30 September 2018, the Company had foreign currency exposure of EUR747,000 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 £3,755/(£3,717) (2017: £1,684/(£1,667)).

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 (2017: £6.3 million). The Company does not actively manage this risk.

A change of 50 basis points in interest rates in the year to 30 September 2018 would have increased/decreased profit by £39,801 (2017: £31,592).

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. No client is responsible for more than 3% of revenue.

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 assesses 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:

	As at 30 September 2018 £000	As at 30 September 2017 £000
Trade and other receivables	10,654	11,767
Intercompany receivables	4,977	4,620
	15,631	16,387

Distribution of loans and receivables by credit quality:

	As at 30 September 2018	As at 30 September 2017 £000
Neither past due nor impaired	15,631	16,387

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 regulatory capital adequacy requirements.
The following table sets out details on the remaining contractual maturity of all financial liabilities:

As at 30 September 2018 £000	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	8,282	-	-	-	-	8,282
Total financial liabilities	8,282	-	-	-	-	8,282

As at 30 September 2017 £000	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	8,188	-	-	-	-	8,188
Total financial liabilities	8,188	-	-	-	-	8,188

21) 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 2018	As at 30 September 2017
	£000	£000
Within 1 year	1,611	1,611
Between 2 - 5 years	6,445	6,445
Between 5 - 10 years	3,223	4,834
	11,279	12,890

22) Subsidiary undertakings

On 27 March 2018, the Company acquired 100% of the shares and voting interests in the following entities (Parrish Blake), obtaining control;

Name of Company	Address	% Holding	Type of share held	Principal activity
held directly				
Parrish Blake Limited	16 Babmaes Street, London, SW1Y 6AH	100%	Ordinary shares	Information technology services

The Company transferred consideration of £483,188 in cash for the acquisition.

The Company incurred acquisition related costs of £149,282 of legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

The results of this entity will be disclosed in the consolidated statements of BNL Investments UK Limited.

23) Impairment in subsidiary

The investment in subsidiary has been recognised on the balance sheet at cost less impairment. The value of the subsidiary undertakings are reviewed for impairment at each balance sheet date. Trade and assets transferred from Parrish Blake Ltd to Waverton Investment Management Limited on the 27th March 2018 has resulted in an impairment cost of £344k. The fair value has been calculated as;

	As at 30 September 2018
	£000
Book Value 30 September 2018	483
Impairment	(344)
Fair Value 30 September 2018	140

24) Related party transactions

The Company enters into transactions with related parties in the ordinary course of business. These transactions are made for the purpose of maintaining liquidity across the BNL Group.

As at 30 September 2018, the outstanding balance of loans advanced to key management personnel was £1,312 (2017: £3,575) and is included in 'trade and other receivables' (see Note 12). No interest is payable on these loans.

During 2018, Waverton took on back/middle office support functions to ICM for Utilico Global Income Plc and Utilico Emerging Markets Fund. ICM is the "in house" investment manager for the UIL group that includes Somers our 62.5% shareholders.

Related party assets and liabilities

Waverton has related party assets by way of intercompany loans to group companies of £4,997k (2017: £4,620k) and liabilities to group companies of nil (2017: £690k).

25) Parent and ultimate holding company

The Company is a 100% owned subsidiary of BNL Investments UK Limited which is the ultimate parent company incorporated in the United Kingdom. The ultimate controlling party is Somers Limited which is incorporated in Bermuda.

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 smallest and largest group in which the results of the Company are consolidated is that headed by BNL Investments UK Limited,16 Babmaes Street, London, SW1Y 6AH. Copies of the group financial statements are available to the public at 16 Babmaes Street, London, SW1Y 6AH. Somers Limited, the ultimate controlling party, does not consolidate the results of the Company by virtue of being an investment entity in accordance with IFRSs. Those financial statements are available to the public at 34 Bermudiana Road, Hamilton, HM 11, Bermuda.