Waverton Investment Management Limited

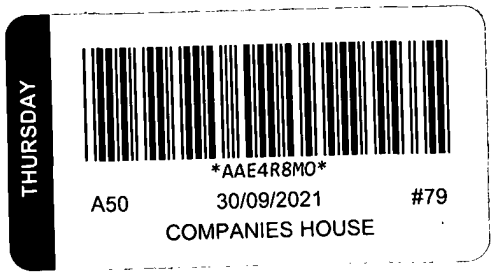
Registered in England No. 2042285

Annual Report and Accounts

15 months to 31 December 2020

WAVERTON

INVESTMENT MANAGEMENT



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Strategic Report

CEO Report

In February 2020, I had the honour of assuming the role of Chief Executive of Waverton Investment Management. Over the past five years the business has performed well across its core capabilities of managing portfolios for Private Clients, Professional Advisors, Charities and Institutions. At the heart of the success has been our central investment team and process coupled with an unwavering dedication across our business for seeking to exceed client expectations in realising their investment objectives.

On joining, my central task with the executive team was to set the strategy for Waverton to build on its already considerable strengths and to focus on future growth. While this growth strategy addresses the entire business, an area of particular strategic attention is to combine our exceptional investment management capabilities with planning for our core Private Client franchise. Of note, in December 2019 Waverton finalised the acquisition of Timothy James & Partners (TJP) – a preeminent, award winning London-based independent financial advice company.

The strategy for our growth is an exciting one. Furthermore, it is centred on maintaining the highest levels of professionalism and investment skills that our clients across the business expect. I witnessed first-hand the exceptional standards as global events unfolded from March 2020. Indeed, I am extremely proud of the response of all my colleagues at Waverton across our client-facing personnel in our 4 client channels, our operational and support staff, and our investment team. During the course of a few weeks we went from 100% office-based operations to all staff working seamlessly and securely from home.

Throughout the adjustments, all of our clients continued to receive the high level of service for which we pride ourselves. We also, amid the periods of market uncertainty, never lost focus on delivering the core value to our clients as our investment performance was strong in absolute and relative terms with each of our client groups delivering superior to peer group returns during the year.

All business units benefitted from strong investment performance delivered by our outstanding central investment team led by Chief Investment Officer, Bill Dinning. This is an area in which we have been investing heavily over the last 5 years, the quality of which differentiates us within the industry.

At a business unit specific level, our Advisor Solutions had a stand-out year in 2020. This was the result of significant strategic work done over the course of the last 10 years to create a suite of investment solutions tailored to meet the diverse needs of the broad spectrum of advisors in the UK. The strength of these solutions meant that we saw record inflows in 2020 with a significant acceleration in the last quarter.
In this business unit, led by John Bellamy, we also made several significant additions to our service team to make Waverton's Advisor Solutions a "first choice" place to do business in response to our client guidance. We also appointed two additional professionals to our distribution team which puts us in a very strong position to achieve and even exceed our high growth aims for this channel in 2021.

Our Charities team, led by James Pike, also experienced very steady growth in 2020. An important strategic development was launching the Waverton Charity Growth & Income Fund in 2019. This was met with enthusiasm from clients considering both a pooled and a segregated approach and had a very strong 2020 in absolute terms and compared to its peer group.

Meanwhile, during 2020, our Institutional business led by Charles Scott Plummer, was refocused from distributing a small range of niche funds to offering the diverse range of the "whole of Waverton" to asset aggregators, discretionary fund managers, pension and endowment funds as well as single and multi-family offices. By the fourth quarter this transformation was beginning to see significant traction. There were several substantial high value wins for the team and I view this to be testament to the institutional quality and depth of our offering. The strong finish to the year and the encouraging opportunities the team is now responding to fills me with great optimism for the year ahead.

Our core Private Client business, led by Rupert Elwes, also had an impressive year given the context of the challenges all investors faced. This was supported by both our outstanding central investment team as well as by the high levels of engagement our Private Client teams had with their clients. The teams also worked successfully with our new colleagues at TJP to achieve a smooth integration and engage with clients to satisfy their planning needs.

Looking ahead, our Private Clients business will be the main focus of our investment in 2021. As part of our board-approved strategy, we will build on the successful integration of TJP and capitalising on the broader market opportunity for providing a total wealth service across the country. We shall also continue to strive to provide strong relative and real returns for our clients, delivered by individual portfolio managers who are able to tailor client portfolios based on their individual needs.

Alongside the planned growth of our capabilities and reach, in my role as CEO I am also very much focused on developing and celebrating the culture and values of Waverton as a business. During 2020 everyone in the business spent considerable time and collective effort to consider and express our united purpose and values. We believe these now reflect our heritage, who we are and where we are heading. These statements are vital for us and for the strategy in order to ensure we continue to evolve and grow. There will be more to communicate on these initiatives in 2021 which I am looking forward to sharing.

Thinking back on the past 12 months and the many milestones we have passed as a business, I feel it is important to emphasise how much pleasure I have had in leading Waverton in 2020. I would like to thank all of our employees and the Board for their hard work and guidance over the course of this year and for making Waverton such a special place. On behalf of all my colleagues, I would also like to thank all of our clients for their business during the past 12 months.

In conclusion, while 2020 will be remembered as among the most challenging years for the world, amid these events I judge that at Waverton we have emerged stronger, more united and committed to a better future. Furthermore, with the strategic plan now in place we can, and will, move forward with great confidence.

G N Tucker
Chief Executive Officer

COO Report

Since joining Waverton mid-way through 2019, I have, together with a very experienced team, looked for opportunities to develop an operating model that reflects the changing dynamics of Investment/Wealth Management whilst looking to adopt a more forward-looking approach to how technology is deployed to support increasing client, industry and regulatory challenges.

Our future IT infrastructure roadmap although well advanced in some areas was disrupted in late February early March by the impact of the COVID-19 pandemic. In response to the growing crisis Waverton mobilised its IT Infrastructure and Development teams to manage the emerging significant risk to business continuity. By early March a revised business continuity plan had been developed that set aside the standard disaster recovery process and we began the process of considering how all teams could work remotely. This included the technology and hardware required along with the re-design of affected processes to mitigate risks and limit business impact. This revised plan enabled Waverton to operate a full working from home policy, adhering to government guidance.

One week prior to the Prime Minister's announcement, Waverton was operating a hybrid model across all areas of the business with teams working both in the office and remotely. The detailed preparations and testing avoided any business interruption post March 23rd and, crucially from my perspective, it ensured clients experienced no difference in service delivery.

Alongside the above, Waverton's digital journey had started prior to 2019. However, the responses to the pandemic accelerated its adoption. The IT Development and Middle-Office teams again responded superbly to not only avoid any immediate impact on the client experience but the work undertaken further improved Waverton's existing digital proposition and data security. We continue on this journey today, recognising both the importance of active engagement by our client facing teams augmented by technology and increasing demand for a digital proposition that can deliver services quickly and clearly.

After the initial challenges in March and with full Board and Management Committee support, we proceeded to implement a Cloud technology strategy working closely with Microsoft. This project had two primary aims; to improve business resilience by leveraging off a larger organisation and to support the introduction of a modern workplace model.

Prior to COVID-19 outbreak, and in response to an employee survey, flexible working was an important topic for our staff. Being an agile forward-looking business we recognised the pandemic elevated the importance of accelerating our programme. In mid-2020, utilising new hardware provided to employees as part of the modern workplace rollout, Waverton reduced its office space requirements in 16 Babmaes Street through the implementation of a hybrid flexible working arrangement. The space vacated was made available to TJP to support the on-going integration of the two businesses.

Looking ahead, and as part of the COO's 5 year strategy, we continue to focus on developing Waverton's operating model in support of the business growth ambitions across all channels. Our focus remains very clearly on the use of technology and digital to deliver both a high quality service to our clients as well as supporting Waverton's expansion capabilities in areas such as ESG and other assets classes.

The proposed business evolution looks to deliver, over the long to medium term, a forward-looking, progressive, agile, scalable operating model that can grow with the business without disproportionately increasing the cost of production.

M Allen
Chief Operating Officer

CFO Report

During 2020 the Company took the decision to change the Accounting reference date from 30th September to 31st December to align all companies within the group to the same reference date. These statements have therefore been prepared on a 15 month basis covering the period 1st October 2019 to 31st December 2020.

2020 was a turbulent year for financial markets and working practices which had a knock-on effect on the financial performance of the firm. The majority of revenue for the firm is collected via asset-based management fees which saw a material reduction in revenue during the 1st calendar quarter of 2020 as financial markets suffered a significant contraction due to the pandemic. The recovery in financial markets was mirrored in financial performance during subsequent quarters and the company ended 2020 with its highest ever Assets under Management ("AUM"). Of note, during this period, the Company did not furlough any staff, nor did it make use of any form of Government-backed grant or funding.

Working practices were also affected by the pandemic which led to an initial unbudgeted expenditure to facilitate the migration to home-working for all employees followed by a reduction in ongoing expenditure as many activities were curtailed. Overall this led to a reduction in monthly expenditure as savings were made in travel, entertaining and general office costs. Notably, not all expenditure savings were just for the immediate duration but will also be long term. The impact of some of the necessary changes has accelerated the company's plans to modernise working practices such as a significant move to digital away from paper-based activity having both cost and environmental advantages.

The Company began the period (1st October 2019) with AUM of £6,256m and, as mentioned, this fell with the market movement to £5,643m as at the end of March. This represented a fall of 9.8% which should be viewed in the context of the drop in markets which fell 25% during the first quarter of 2020. AUM recovered during subsequent quarters to £6,436m as at 30th June and £6,537m on 30th September. The company finished the year on £6,866m which is a 9.8% increase over the whole period and a 21.7% increase since the low point at the end of March. The increase in AUM over the year was generated by a combination of net new assets of £140m (2019: £193m) and market performance.

Revenue for the 15 months was £53,306k (12 months 2019: £39,926k) which is reflective of the growth in AUM in comparison to the prior period as a significant majority of revenue is asset-based fees (93%).

Expenditure for the period increased to £42,682k for the 15 month period (12 months 2019: £33,651k). There were two material items which affected the 2020 expenditure outside of business as usual. Firstly, the application of IFRS 16 led to a reclassification of property lease expenditure of £356,000 from administrative costs to finance costs (set out in note 21). Secondly, an accelerated depreciation expense of £329,000 which was borne by the Company during 2020 as the relevant works were completed to make the necessary changes to the office space for which the benefits will be recognised in subsequent periods. Adjusting for these changes would take the comparable expenditure to £41,997k (2019: £33,651k).

Profit before tax increased to £10,207k over the 15 month period (12 months 2019: £6,297k).

D G Welch
Chief Financial Officer

CIO Report

From an investment perspective the fifteen months between October 2019 and December 2020 were dominated by the market activity between February and December 2020.

As the pandemic's global nature became apparent, we saw a swift decline of 25% in global stock markets between mid-February and mid-March. However, markets then made a remarkable recovery as the combination of monetary and fiscal policy stimulus encouraged investors to look through the pandemic on the basis that there was enough support to keep people and businesses from bankruptcy.

The announcement in November 2020 that effective vaccines had been developed completed the roller-coaster journey from panic via relief to recovery. 2021 should hopefully see the realisation of that recovery.

This simple narrative above is accurate but rather incomplete in that during the last year or so we have seen some of the most extraordinary gyrations in financial and economic history. For instance, we have seen record low bond yields, record levels of central bank balance sheets, wartime-scale budget deficits, the oil price trading at a negative rate on 20th April 2020 while the US stock market ended 2020 at a record high.

From an investment standpoint, one of the dynamics of 2020 was the clear leadership of 'Growth' stocks at the expense of 'Value' stocks between the March lows and the first vaccine announcement in early November. Leadership then transitioned to 'Value' until the end of the year and into 2021. As investors, one of the biggest challenges was to navigate between these shifts of leadership in the equity markets. Our Stock Selection Committee, chaired by Head of Equities, Jen Fisher rose to this challenge which was reflected in the very positive performance, both in relative and absolute terms, of our portfolios.

At the height of market fluctuations in the first quarter our central investment team managed to protect capital reasonably well on behalf of clients notwithstanding the significant gyrations in portfolio valuations during this period. During this period in particular, for those portfolios that utilised derivative hedging strategies the relative performance was particularly strong. From April onwards, we were then pleased to be able to keep up with the market recovery in the last three quarters of the year.

In reviewing the period, I should also highlight the performance of our bond funds. Jeff Keen, our Head of Fixed Income, and his team were able to generate peer leading returns throughout the year. I am pleased to note that their achievements have been recognised with several industry awards.

Additionally, our Alternatives offerings – the Waverton Real Assets Fund and the Waverton Absolute Return Fund – also had a successful year of risk-adjusted performance as they recovered from the first quarter. This is noteworthy as we continue to believe that investors will need to look at more than bonds when compiling a balanced portfolio. Indeed, the Central Investment Team judge that funds that seek to protect capital (Absolute Return) have a role to play as do funds that aim to offer a decent yield and some capital appreciation over the cycle via exposure to property, infrastructure, commodities and specialist lending strategies (Real Assets).

2020 showed we were able to deliver positive outcomes for clients in differing market conditions. We will be doing our best to replicate that in 2021 and beyond.

W Dinning
Chief Investment Officer

Chairman's Summary

The past year has presented numerous unforeseen challenges to Waverton's business and business model. The board and I have been delighted that under the inspirational leadership of our CEO, Nick Tucker, who joined us in February 2020 just in time to get his feet under the table before the first lockdown, the employees of Waverton have risen superbly to meet these challenges.

As the national response to the pandemic evolved and despite moving in a matter of weeks from the whole company working from our offices in Babmaes Street to the adoption of a working from home model, our employees have delivered a seamless service to our clients and have also delivered investment performance for our clients' portfolios that has been amongst the best in the industry. This has all been achieved in an economic environment where there were endless possibilities for a quite different outcome as highlighted in our CIO's report.

As Chairman I wish to extend the thanks and admiration of the board to our colleagues in Waverton for their professionalism, dedication and unswerving commitment to attending to the needs of our clients during this period of tremendous challenge.

Looking ahead, with the world beginning to open up, as the contents of this Financial Statement illustrate, Waverton enters the new financial year in fine fettle. With the economic recovery growing apace, we intend to keep investing in our business to meet the aspirations of our clients and the growth targets of our shareholders both internal and external.

Signed on behalf of the Board of Directors on 26 April 2021

By order of the Board

F D S Rosier
Chairman
16 Babmaes Street
London
SW1Y 6AH

Directors' Report

Consideration 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.

In the context of considerations of risks and uncertainties it is noteworthy that Sterling fell sharply in the period of panic about the pandemic in March 2020 but since then has appreciated. From its March 2020 low, Sterling rose 9.2% to the end of the year on a trade-weighted basis. For a business that invests the vast majority of its client assets outside the UK, persistent Sterling strength can be a headwind. Sterling is still 14% below its level the day before the Brexit referendum and, depending on the progress of the recovery that could remain a headwind in 2021.

Brexit matters applicable to Waverton

As previously reported, the Company's clients are predominantly UK-based, however there are global clients including some resident and domiciled within the European Economic Area (EEA) which will be affected by the UK leaving the European Union (EU). In spite of the fact that on December 24th the UK and EU agreed a Trade and Cooperation Agreement, there were limited provisions relating to the financial services and more importantly the ability to offer products and services cross border. The agreement received Royal Assent on December 30th.

For clients resident in the EEA, the lack of clarity regarding the EU and UK future relationship as it relates to financial services presents a level of uncertainty and therefore the Company continues to actively engage with industry trade bodies and legal firms to minimise the impact to its clients. At the time of this Statement's completion, we note a Memorandum of Understanding (MOU) has been signed between the UK and the EU regarding financial services and we expect further details shortly regarding the EU and UK financial services and their future working relationship.

Given the evolving situation, Waverton's BREXIT Committee remains in place and continues to monitor developments carefully. Avoiding significant disruption for our clients remains a priority for the Company.

Operational Risk

Together with the Risk Committee and Audit, Risk and Compliance Committee (ARCC), the board, management and employees of Waverton strives to manage risk (both known and emerging) effectively to protect both the interests of our clients and the Company's reputation. In this respect, in 2020 two key projects were initiated in response to the Financial Conduct Authority (FCA) Business Resilience policy statement (PS21/3) and Investment Firms Prudential Regime. These projects address:

a. <u>Conduct Risk</u>

The board considers that culture and values are a key determinant of the long-term success of Waverton and seeks to ensure that the appropriate behaviours are in evidence at all levels across the firm, including in the following ways:

- Linking Senior Managers and Certification Regime (SM & CR) requirements to the creation of Key Risk Indicators (KRI) and Key Performance Indicators (KPI) and management information to monitor, review and escalate conduct risk
- Development of a reporting framework to the Operational Risk and Compliance Committee and the ARCC
- Implementation of a project to refresh and define the values of the firm
- Encouraging and enabling eligible employees to participate in share ownership to align long-term interests of employees with the firm.
- Annual and ongoing performance management review process with all employees

b. People Risk

The board recognises our employees as a critical asset and utilises the following methods to mitigate potential people related risks:

- Ensuring that the appropriate remuneration structures are in place and undertaking a regular internal and external benchmarking exercise
- Succession Planning for all senior positions and incorporation of development plans for all staff
- Annual employee survey
- Employee participation in share ownership
- Annual and ongoing performance management review process with all employees
- Provision of a comprehensive benefits package including a non-contributory pension scheme
- Creation of a CSR (Corporate Social Responsibility) committee who, alongside our HR department, have been instrumental in championing employee well-being. As a result we have implemented several initiatives during the period of the pandemic including, information regarding wellbeing and contact groups, employee engagement during remote working and promoting mental health awareness.
- Implementation of a flexible working policy to support a remote working environment, which was already underway in response to a previous employee survey but accelerated due to the requirements of operating during the pandemic.

Cyber Risk

2020 has been a year which has seen a significant change in operational practices which has required adjustments to how the firm has reviewed cyber risk. The pandemic has forced full remote working from a largely office-based workforce for which our formerly existing security processes had not been designed. In response, Waverton accelerated existing plans to roll-out devices to all staff to allow for remote working and completed the full work-from-home capability prior to the first lockdown in March. The pandemic has also brought forward Waverton's plans to accelerate digital transformation projects, which most significantly means moving more systems to the cloud, requiring a redevelopment of the Company's security strategy and infrastructure.

Separately, the use of sophisticated malware, in particular ransomware attacks, has been on the rise and driven the need for better and more proactive corporate IT security. As a result, Waverton has shifted the approach to security from a mainly static defensive posture to one of taking a more proactive stance to network integrity and security infrastructure.

In this context, Waverton uses best practice standards to manage cyber security risk, in particular the National Institute of Standards and Technology (NIST) framework, and has undertaken assessments to be carried out by third parties to ensure the security of the firm. The NIST Cybersecurity Framework provides security guidance to create a policy on how Waverton assesses and continuously evolves its ability to prevent, detect, and respond to cyber-attacks.

Covid Risk

Current guidance is to continue to work from home. However, the Company firmly believes in the long-term requirement for an office presence both for client activity and collaborative working. The expectation is that when circumstances allow in 2021 the revised working model will be a hybrid-approach with most staff working partially in the office and partly from home. This will be phased in as it is likely that there will be a social-distancing requirement for some time. The success of the working-from-home model indicates that the flexibility to react to circumstances as they develop is in place. New technology has been installed in order to facilitate office availability to allow the revised model to operate.

Directors and Directors' Interests

The Directors of the Company who served during the period, and at the time these financial statements were issued, are listed below:

A A Percy*
G N Tucker* (appointed 5th March 2020)

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

F D S Rosier*
C D O Jillings*
D J Morgan*
S S Dovey* (appointed 22nd February 2021)

The Company is a 100% subsidiary of Waverton Investment Management Group Limited.

Directors marked with Asterisk (*) above are also Directors of Waverton Investment Management Group Limited. Their interests in the share capital of that undertaking are disclosed in its financial statements.

During the year G N Tucker was appointed to the role of Chief Executive Officer.

Regulator

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

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 period and at the date of this report. The Company provided qualifying third party indemnity provisions to directors of associated companies during the financial period and at the date of this report.

Donations

Charitable donations made by the Company during the period amounted to £34,340 (2019: £11,420).
Political donations made by the Company during the period amounted to nil (2019: 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 £4.3m were paid during the period (2019: £9.1m).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Saffery Champness 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 26 April 2021

By order of the Board

F D S Rosier
Chairman
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 26 April 2021

By order of the Board

F D S Rosier
Chairman
16 Babmaes Street
London
SW1Y 6AH

Independent auditor's report to the members

Opinion

We have audited the financial statements of Waverton Investment Management Limited (the 'company') for the period ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Date: 26 April 2021

Statement of Comprehensive Income

	Note	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Revenue	4	53,306	39,926
Administrative expenses		(42,682)	(33,651)
Operating profit		**10,624**	**6,275**
Finance cost	21	(422)	-
Other income	8	5	22
Profit before taxation		**10,207**	**6,297**
Income tax charge	9	(1,807)	(1,445)
Profit after tax attributable to equity holders of the company		**8,400**	**4,852**

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

All profits for both 2019 and 2020 are from continuing operations.

The notes on pages 20 to 38 form part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2020 £000	As at 30 September 2019 £000
Non-current assets			
Investment in subsidiary	22	140	140
Property, plant and equipment	13	7,566	1,278
Deferred tax asset	10	108	-
Current assets			
Cash at bank and in hand	11	8,890	8,221
Trade and other receivables	12	12,029	10,834
Other assets (Prepayments)	14	995	1,790
Intercompany receivable	23	4,324	552
Total assets		34,052	22,815
Current liabilities			
Trade and other payables	15	8,098	8,400
Financial liabilities	21	1,625	-
Tax liability		730	619
Deferred tax liability	10	-	21
Non-current liabilities			
Financial liabilities	21	5,750	-
Provision for restoration costs	18	167	167
Total liabilities		16,370	9,207
Capital and reserves			
Issued share capital	16	23	23
Share premium account		313	313
Retained earnings		17,346	13,272
Total equity		17,682	13,608
Total equity and liabilities		34,052	22,815

The notes on pages 20 to 38 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26 April 2021 and signed on its behalf by:

F D S Rosier
Chairman

Statement of Changes in Equity

For the 15 months ended 31 December 2020

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
Balance as at 30 September 2018	**23**	**313**	**17,498**	**17,834**
Profit after tax	-	-	4,852	4,852
Dividend paid	-	-	(9,078)	(9,078)
Balance as at 30 September 2019	**23**	**313**	**13,272**	**13,608**
Profit after tax	-	-	8,400	8,400
Dividend paid	-	-	(4,326)	(4,326)
Balance as at 31 December 2020	**23**	**313**	**17,346**	**17,682**

The notes on pages 20 to 38 form part of these financial statements.

Statement of Cash Flows

	Note	15 months to 31 December 2020 £000		Year Ended 30 September 2019 £000	
Cash flows from operating activities					
Profit before tax for the period		10,207		6,297	
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	13	2,598		365	
Finance cost	21	422		-	
Interest received		(5)		(22)	
Right-of-use asset		(8,200)		-	
Right-of-use lease liabilities		9,323		-	
Foreign exchange gains	5	226		(108)	
Adjustments for:					
Net (increase)/decrease in operating assets:					
Trade and other receivables		(4,967)		4,265	
Other assets		795		(50)	
Net (decrease)/increase in operating liabilities:					
Trade and other payables		2,165		772	
Tax/Group relief paid		(1,825)		(1,547)	
Other liabilities		(2,467)		(653)	
Net cash flow generated from operating activities			**8,272**		**9,319**
Investing activities					
Capital expenditure for property, plant and equipment	13	(686)		(110)	
Interest received		5		22	
Net cash flow used in investing activities			**(681)**		**(88)**
Financing activities					
Payments of lease liabilities		(2,370)		-	
Dividends paid		(4,326)		(9,078)	
Net cash flow used in financing activities			**(6,696)**		**(9,078)**
Net Increase/(decrease) in cash and cash equivalents			**895**		**153**
Cash at bank and in hand at the beginning of the year			**8,221**		**7,960**
Effect of exchange rate fluctuations on cash held	5		(226)		108
Cash at bank and in hand	11		**8,890**		**8,221**

The notes on pages 20 to 38 form part of these financial statements.

Notes to the financial statements

1) General

Waverton Investment Management Limited ("the Company") is a private company limited by shares incorporated 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 26 April 2021.

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.

The accounting reference date has changed from 30 September to 31 December in order for the company to align its accounting period with the other entities within the group, following the acquisition of Timothy James and Partners Ltd. For this reason the amounts presented in the financial statements are not directly comparable.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not the group. Details of the group consolidated statements are set out in note 25.

Standards and interpretations

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but not yet effective.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 29, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2022

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent

Liabilities and Contingent Assets), effective for annual periods beginning on or after 1 January 2022.

The directors are evaluating the impact that these standards will have on the financial statements of the Company, however these are not expected to be significant.

Significant changes in accounting policy

The Company initially applied IFRS 16 Leases from 1 October 2019. No other new accounting standards were adopted in these financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for 2019 is not restated. It is presented as reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally the disclosure requirements in IFRS 16 have not been applied to comparative information. Previously the Company determined at contract inception whether an arrangement was or contained a lease under IAS 17, the Company now assesses whether a contract is or contains a lease based on the definition of a lease in IFRS 16.

On transition to IFRS 16 the Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease under IFRS 16. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019.

The Company is not party to contracts whereby it is a lessor for the purposes of this standard.

As a lessee, the Company leases the premises of its primary location. The Company previously determined this as an Operating Lease, basing this assessment on the risks and rewards transferred to the Company as a result of the transaction. Under IFRS 16, the Company recognises the right-of-use assets and lease liabilities for this lease and these amounts have been added to the balance sheet. For this property lease, the Company has elected to separate the non-lease components and account the lease and associated non-lease components separately.

Previously the Company classified its property lease as an operating lease under IAS 17. On transition, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate of 4%. The corresponding right-of-use asset is measured an amount equal to the lease liability, adjusted by the remaining rent free period and the amount of rent prepaid as at the date of recognition.

The Company has determined that there is no indication that the right-of-use asset is impaired.

Upon transition, £8,200k of right-of-use asset was added to the balance sheet, and a lease liability recognised of £9,323k. There was no material impact on retained earnings as a result of the transition.

The impact on the income statement for 2020 is as follows:

	£000
Increase in finance costs	(422)
Increase in depreciation expense	(1,864)
Decrease in administrative expenses	1,930
Decrease in profit for the period	(356)

The impact on assets, liabilities and equity on 1 October 2019 is as follows:

	£000
Right-of-use assets	8,200
Prepaid rent	(468)
Rent free period	1,591
Lease liabilities	(9,323)
Change in retained earnings	0

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 Instruments

Recognition and initial measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing its financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the objective of the Company in realising the value of the financial assets

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Management have assessed the business model of the Company and all financial assets are held with the objective to collect contractual cash flows. The Company does not have any financial assets held for sale.

The Company has adopted IFRS 9 with effect from 01 October 2018. The financial assets of the Company are held over a short period of time, and do not have a significant financing component. The fair value of financial assets held by the company are therefore not materially different from the book value.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL:
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost:
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI:
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI:
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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 – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are

subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss,. Any gain or loss on derecognition is also recognised in profit or loss.

g) Impairment – Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the financial assets held. Due to the short term nature of the financial assets held by the Company, the allowances are measured using a lifetime ECL model.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

On completing the assessment using the simple ECL model, the Company does not have any indication of a material impairment loss. The fair values are therefore equal to the book value initially recognised.

Credit-impaired financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is credit 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 cash flows in accordance with the original contractual terms of the agreement.

h) 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.

i) 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:

Right-of-use asset	Between commencement date and end of lease
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.

j) 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.

k) Performance obligations and revenue recognition policies:

Revenue primarily consists of management fees, commission on dealing and net margin derived from placing client funds on deposit. Revenue is recognised on an accrued basis as the Company's performance obligations with customers have been met in accordance with IFRS 15.

Revenue is measured based on the consideration specified in the contract with a customer. The Company recognises revenue when it meets its obligations for the services it transfers to a customer.

Investment management fees, fees from support services and miscellaneous income:

Invoices for these services are issued on a monthly or quarterly basis and are usually payable within 30 days.

Revenue is recognised over time as the services are provided by the Company. These performance obligations within the customer contracts are ongoing and continuous until the individual contract is terminated.

The revenue is recognised in accordance with the contract terms. The performance obligations are deemed to be met over time by the Company, and the rights to consideration under the contract are then transferred to the Company periodically.

Commission on trade placement and foreign exchange transaction fees:

The commission due to the Company upon completion of each transaction is recognised as revenue at the point in time when each transaction is settled. The consideration under the contract is transferred to the Company when recognised as revenue.

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 impairment, in accordance with IAS 27 'Separate Financial Statements', in these financial statements.

p) Leases

As a lessor

The Company is not a party to any contracts in which it is a lessor of assets as at balance sheet date.

As a lessee

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of the asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 October 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset less any incentives received.

The right-of-use asset is subsequently depreciated on a straight line method from the commencement

date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses and adjusted for remeasurements of the lease liability.

The Company presents the right-of-use asset in the balance sheet in the same line item within which the corresponding underlying assets would be presented if they were owned. The Company's leases principally relate to properties and are accordingly included in property, plant and equipment in the balance sheet.

The lease liability is initially measured at the present value of the unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot readily be determined, the Company's incremental borrowing rate.

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.

In the view of management, the Company's incremental borrowing rate of 4% upon recognition of the right-of-use asset and the subsequent lease obligations represents a significant source of estimation uncertainty. This presents a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the period ended 31 December 2020.

4) Revenue

The Company generates revenue primarily from the provision of investment management services to its customers. All revenue is generated from continuing operations. The first period in which IFRS 15 has been applied is the period beginning 1st October 2018. There has been no effect on prior period comparatives when applying this standard. All revenue is recognised on the basis that the Company has met its performance obligations on a continuous basis in the case of services, and revenue from individual transactions is met at the point in time the transaction is completed.

Other sources of revenue include amounts generated from interest on client margin and placing and unit trust commission.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Revenue from contracts with customers:	**15 months to 31 December 2020 £000**	**Year ended 30 September 2019 £000**
Total revenue from contracts with customers	52,698	39,127
Other revenue:		
Margin on client money	608	799
Total other revenue	608	799

In the following table, revenue from contracts with customers is disaggregated by services provided by the Company and the timing of revenue recognition:

Disaggregation of revenue from contracts with customers:	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Fees from investment management services	49,459	36,486
Foreign exchange transaction fees	2,015	1,303
Fees from support services	963	1,045
Commission on trade placement	249	285
Miscellaneous income	12	8
Total revenue from contracts with customers	52,698	39,127

The company does not have any remaining performance obligations at 31 December 2020.

5) Profit before taxation

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

	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Depreciation of property, plant and equipment	2,598	365
Auditor's remuneration and their associates:		
Audit of these financial statements	40	48
Audit related regulatory services	24	38
Non-audit services (tax-related)	-	14
Exchange gains/(losses)	226	(108)

6) Emoluments of Directors

Excluding pension contributions, the aggregate amount of emoluments of the highest paid Director were £418,845 (2019: £937,879). The Company did not make pension contributions to the highest paid director during the period (2019: nil)

	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Directors' emoluments in respect of 5 Directors (2019:6)	1,086	1,855
Compensation for loss of office	-	88

The Company contributed £4,667 to money purchase pension schemes during the period (2019: nil) for one director.

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:

	15 months to 31 December 2020	Year ended 30 September 2019
Fund management	45	45
Administration	104	100
	149	145

The aggregate payroll costs of these persons were as follows:

	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Wages and salaries	20,986	17,492
Social security costs	2,567	1,979
Other pension costs	1,301	1,094
	24,854	20,565

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

	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Interest income from short term deposits	5	22
	5	22

9) Taxation

Current tax	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Current tax on profits of the period	1,929	1,397
Adjustments in respect of previous periods	7	15
Total current tax	1,936	1,412
Deferred tax		
Origination and reversal of temporary differences	(131)	3
Adjustments in respect of previous periods	-	30
Effect of tax rate change	2	-
Total deferred tax charge/(credit)	(129)	33
Income tax charge	1,807	1,445

	15 months to 31 December 2020 £000	Year ended 30 September 2019 £000
Profit on ordinary activities before taxation	10,207	6,297
Profit before tax multiplied by the UK statutory rate of corporation tax at 19% (2019: 19%)	1,939	1,196
Other permanent differences	71	204
Adjustments to current tax in respect of previous periods	7	15
Adjustments to deferred tax in respect of previous periods	-	30
IFRS 16 transitional adjustment	(212)	-
Effects of change in tax rate	2	-
Income tax charge	1,807	1,445

In the 3 March 2021 budget, it was announced the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge, If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £12,468.

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 31 December 2020 £000	As at 30 September 2019 £000
The movement for the year on the deferred tax account is as follows:		
At the beginning of the year	(21)	12
Benefit/(charge) to income for the year	131	(3)
Prior year adjustments	-	(30)
Effect of change in tax rate	(2)	-
As at balance sheet date	108	(21)
Deferred tax assets are attributable to the following items:		
Accelerated tax depreciation on fixed assets	(60)	(25)
IFRS 16 transitional adjustment	165	-
Pension accrual	3	4
As at balance sheet date	108	(21)

Deferred taxes are calculated on all temporary differences using a tax rate of 19% (2019: 17%)

11) Cash at bank and in hand

	As at 31 December 2020 £000	As at 30 September 2019 £000
Cash at bank and in hand	8,890	8,221

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 31 December 2020 £000	As at 30 September 2019 £000
Trade receivables	893	380
Other receivables	167	60
Rent deposit	1,137	1,137
Accrued income	9,832	9,257
	12,029	10,834

13) Property, plant and equipment

	Right-of-use Asset £000	Leasehold Improvements £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 30 September 2019	-	1,682	556	2,238
Additions	8,200	297	389	8,886
Write-offs	-	(713)	(156)	(869)
At 31 December 2020	8,200	1,266	789	10,255
Accumulated depreciation				
At 30 September 2019	-	(707)	(253)	(960)
Charge for the year	(1,864)	(545)	(189)	(2,598)
Write-offs	-	713	156	869
At 31 December 2020	(1,864)	(539)	(286)	(2,689)
Net book value				
At 30 September 2019	-	975	303	1,278
At 31 December 2020	6,336	727	503	7,566

Full details of the right-of-use asset recognition are contained in note 21. The depreciation charge includes accelerated depreciation of £329k on leasehold improvements as part of the premises reconfiguration.

14) Other assets

	As at 31 December 2020 £000	As at 30 September 2019 £000
Prepayments	995	1,790

15) Trade and other payables

	As at 31 December 2020 £000	As at 30 September 2019 £000
Staff cost liabilities	5,905	4,502
Other liabilities	232	166
Trade payables	583	484
Other payables	730	781
Accruals	648	2,467
	8,098	8,400

16) Issued share capital

	As at 31 December 2020 £	As at 30 September 2019 £
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

All share classes rank equally in voting rights and dividend distributions. No dividends have been proposed or declared since the period end up to the date of authorisation of these financial statements.

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 31 December 2020 £000	As at 30 September 2019 £000
Issued share capital	23	23
Share premium account	313	313
Retained earnings	17,346	13,272
Core tier 1 capital	17,682	13,608
Deductions from tier 1	-	-
Core tier 1 capital	17,682	13,608
Deductions from total capital		
Illiquid assets	-	-
Total capital after deductions	17,682	13,608

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) Measurement and fair value of financial instruments

The following table details the financial assets and liabilities held by the Company, which are short term in nature with an insignificant financing component. Detail of the right-of-use assets are disclosed separately in note 21. These assets are held at book cost, and are materially the same as their fair value.

Financial assets

	As at 31 December 2020 £	As at 30 September 2019 £
Cash and cash equivalents	8,890	8,221
Trade and other receivables	1,060	440
Accrued income	9,832	9,256
Intercompany receivables	4,324	552
Rent deposit	1,137	1,137
	25,243	19,606

Financial liabilities

	As at 31 December 2020 £	As at 30 September 2019 £
Staff cost liabilities	5,905	4,502
Other liabilities	232	166
Trade payables	583	484
Other payables	730	781
Accruals	648	2,467
	8,098	8,400

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 and legal and compliance functions operate independently of the front office to ensure the integrity of Waverton's control processes. The risk management functions are responsible for implementing all relevant risk policies, developing tools to assist senior management to determine risk appetite and assessing the overall risk profile of Waverton.

Risk management oversight

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

Risk management oversight at the Waverton management level as at 31 December 2020

- 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 Management Committee is 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, Risk and Compliance Committee is a sub-committee of the 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 effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than GBP. Management do not actively manage this risk.

As at 31 December 2020, the Company had foreign currency exposure of USD2,768k 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 £10,179/(£10,078) (2019: £7,018/(£6,949)).

As at 31 December 2020, the Company had foreign currency exposure of EUR1,171k 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 £5,267/(£5,215) (2019: £4,477/(£4,432)).

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 £8.9 million (2019: £8.2 million). The Company does not actively manage this risk.

A change of 50 basis points in interest rates in the year to 31 December 2020 would have increased/decreased profit by £44,448 (2019: £41,104).

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.

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

	As at 31 December 2020	As at 30 September 2019
	£000	£000
Trade and other receivables	12,029	10,834
Intercompany receivables	4,324	552
	16,353	11,386

Distribution of loans and receivables by credit quality:

	As at 31 December 2020 £000	As at 30 September 2019 £000
Neither past due nor impaired	16,353	11,386

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 reviews 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 31 December 2020 **£000**	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	8,098	-	-	-	-	8,098
Lease liabilities	-	1,625	5,281	469	-	7,375
Total financial liabilities	8,098	1,625	5,281	469	-	15,473

As at 30 September 2019 **£000**	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	8,315	-	-	-	-	8,315
Total financial liabilities	8,315	-	-	-	-	8,315

21) Leases

The following table sets forth the movements in the right-of-use asset:

	£000
Present value of lease liabilities as at 1 October 2019	9,323
Add prepaid rent as at 1 October 2019	468
Less rent free period remaining at 1 October 2019	(1,591)
Depreciation charged during period	(1,864)
Carrying value of right-of-use asset 31 December 2020	6,336

The following table sets forth the lease liabilities recognised in respect of the right-of-use asset:

	£000
Present value of lease liabilities as at 1 October 2019	9,323
Financing component	422
Lease payments made during the period	(2,370)
Carrying value of lease payments 31 December 2020	7,375

Under the modified retrospective approach of implementing IFRS 16, prior period comparatives have not been restated. The following table sets forth the details of future minimum payments the Company is committed to under non-cancellable operating leases under the previous standard IAS 17:

	As at 30 September 2019 **£000**
Within 1 year	1,896
Between 2 - 5 years	7,583
Between 5 - 10 years	948
	10,427

22) Subsidiary undertakings

The Company owns 100% of the ordinary share capital of Parrish Blake Limited. Parrish Blake is an information technology services business located at 16 Babmaes Street, London, SW1Y 6AH.

23) 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 Waverton Investment Management Group.

During the period the Company performed 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.

The following table provides information on revenue from related parties:

	31 December 2020 £000	30 September 2019 £000
Support services	338	338
Total revenue from related parties	338	338

Related party assets and liabilities

Waverton has related party assets by way of intercompany loans to group companies of £4,324k (2019: £552k) and liabilities to group companies of £86k (2019: nil). Accrued income of £109k was due from ICM as at period end in the normal course of business.

24) Interest in unconsolidated structured entities

The Company is the manager and distributor of the Undertakings in Collective Investment in Transferable Securities (UCITS) held within Waverton Investment Funds plc and has been issued one subscriber share. This subscriber share does not confer any rights to participate in the profits or dividends of the UCITS, and the board of Waverton Investment Funds plc maintains the right to terminate the appointment of the Company. The Company is therefore not exposed to any variability on its returns as a result of this interest and is judged to act as an agent rather than having control under IFRS 10.

25) Parent and ultimate holding company

The Company is a 100% owned subsidiary of Waverton Investment Management Group Limited which is the ultimate parent company incorporated in the United Kingdom. Somers Limited is the intermediate parent, and the ultimate controlling party is Somers Isles Private Trust Company Limited, both 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 Waverton Investment Management Group Limited, which prepares consolidated accounts.

The smallest and largest group in which the results of the Company are consolidated is that headed by Waverton Investment Management Group 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 intermediate parent, does not consolidate the results of the Company by virtue of being an investment entity in accordance with IFRSs. The financial statements of both the intermediate parent and the ultimate controlling party are available to the public at 34 Bermudiana Road, Hamilton, HM 11, Bermuda.