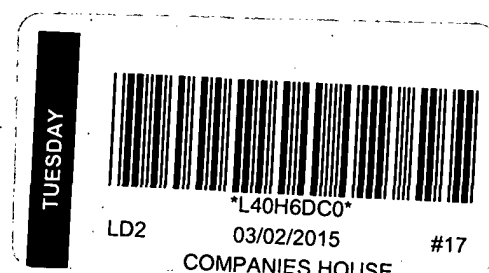


# **BNL Investments UK Limited**

## **Annual Report and Accounts**

**Period Ended 31<sup>st</sup> December 2013**

Registered in England No. 08440808



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## Strategic report

On 28<sup>th</sup> March 2013, the ultimate holding parent of the Company, Credit Suisse AG, entered into a sale and purchase agreement to dispose of its 100% stake in JOHIM CS Limited, the holding company of J O Hambro Investment Management Limited ("JOHIM") and its affiliates, to Bermuda National Limited ("BNL"). BNL Investments UK Limited ("BNLUK") was incorporated on 12<sup>th</sup> March 2013 as the acquiring holding company for the group of companies consisting of JOHIM CS Limited, JOHIM (Holdings) Limited, J O Hambro Asset Management Limited and J O Hambro Investment Management Limited. Following completion, BNL owns 62.5% of the Group's issued share capital with the balance being owned by the Company's management and staff who are investing together with BNL. Regulatory approval for the change of control was received on 17<sup>th</sup> July 2013 and the completion of the transaction took place on 2<sup>nd</sup> August 2013. This change of control re-establishes the Group's credentials as an independent owner-managed investment management boutique. The investment philosophy and focus on individual client service remain unchanged and all of the senior management team have an equity stake in the Company, thus aligning themselves with the interests of its clients. On the 28<sup>th</sup> November 2013 BNL changed its name to Somers Limited.

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

During 2013, the Group undertook a strategic review of its business in order to identify those areas in which it should invest to drive growth in the future. The Group subsequently reorganised its business into five business groups: core private clients, managed funds services, charities, specialist mandates and funds, and a global institutional business. The Group also identified a number of initiatives designed to support growth and client services across the different businesses. These include investment in information technology for the investment platform, investment and marketing personnel, identifying new areas to source clients, as well as initiatives to streamline efficiencies in the Group's systems and processes. The newly formed group's intention is to continue to grow by a combination of existing relationships and bringing the investment offering to additional client segments in line with the new business group structure. It is the intention that each of the five business groups expand their operations both from existing and new clients.

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

The subsidiary undertaking (JOHIM) rebranded on 13<sup>th</sup> January 2014 and became Waverton Investment Management Limited, other subsidiary undertakings JOHIM CS Limited (now Waverton Companies Limited) and JOHIM (Holdings) Limited (now Waverton Holdings Limited) rebranded on 13<sup>th</sup> January 2014.

### Performance

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

The results for the period reflect the growth of the client base although, as most of the increased AUM was in the latter part of the period, the full effect will not be seen until 2014. The consolidated operating profit for the period from the acquisition to 31<sup>st</sup> December 2013 was £300k. This converts to a loss of £799k after tax. The Company itself had a profit after tax of £9,683k, this profit was comprised of three groups of items; a dividend from JOHIM CS Limited of £11.8m, interest expense on the loan financing and acquisition expenses.

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

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

A key financial market risk for financial institutions is the low implied yield on most major assets classes and a steepening yield curve with anticipated in interest rates. Major asset classes such as Government Bonds, Corporate Debt and Equities have experienced significant price gains on a systemic basis in the last five years as global risk appetite has increased and the effects of expansionary monetary policy in several major economies (including the USA, Japan, UK) flow through into asset markets. Consequently, in most major markets and most asset classes valuations are significantly more expensive than long term averages. With the possibility of rising interest rates it is possible that the economy could progress well but asset prices remain stagnant or decline putting pressures on the financial performance of financial institutions.

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

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

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

Signed on behalf of the Board of Directors on 29<sup>th</sup> January 2015

By order of the Board



Hugh Grootenhuis  
Director  
21 St James's Square  
London, SW1Y 4HB

## Directors' Report

The Directors present their report and the financial statements for the period from 12<sup>th</sup> March 2013 to 31<sup>st</sup> December 2013.

## International financial reporting standards

The company's 2013 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

The financial statements were authorised for issue by the Directors on 29<sup>th</sup> January 2015.

## Dividends

No dividend was paid in respect of the period ended 31 December 2013.

## Directors and Directors' Interests

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

### BNL Investments UK Limited

Clive Weston	Appointed 12th March 2013	Resigned 27th March 2013
David Morgan	Appointed 27th March 2013	
Alasdair Younie	Appointed 27th March 2013	Resigned 2nd August 2013
James Leigh-Pemberton	Appointed 2nd August 2013	Resigned 27th September 2013
Algernon Percy	Appointed 2nd August 2013	
Charles Jillings	Appointed 2nd August 2013	
John Anderson	Appointed 2nd August 2013	
Sir Robert Brian Williamson	Appointed 2nd August 2013	
Hugh Grootenhuis	Appointed 2nd August 2013	
Warren McLeland (Alternate)	Appointed 2nd August 2013	
Sandra Pope (Alternate)	Appointed 2nd August 2013	

None of the Directors had any interest in the share capital of the Company. Any interests held by the Directors in the share capital of other companies in the group are disclosed in the financial statements of those companies.

## Share Issuance

During the period the Company issued 17,200,000 ordinary shares of £1 each at par a breakdown of which can be seen in note 17.

## Financial Investments

During the period, on 17<sup>th</sup> July 2013, the Company received regulatory approval to acquire the JOHIM CS Limited group of companies, comprising J O Hambro Investment Management Limited, J O Hambro Asset Management Limited and JOHIM (Holdings) Limited from Credit Suisse. The acquisition was completed on 2<sup>nd</sup> August 2013.

## Insurance

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

## Donations

Charitable donations made by the Group during the period amounted to £45,672.

Political donations made by the Group during the period amounted to nil.

**Risk Management**

The policies of BNL Investments UK Limited to risk management are set out in Note 19 to the financial statements.

**Disclosure of Information to Auditors**

The Directors who held office at the date of approval of the Strategic and Directors' Report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditors**

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

**Subsequent Events**

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

The subsidiary undertaking (JOHIM) rebranded on 13<sup>th</sup> January 2014 and became Waverton Investment Management Limited, other subsidiary undertakings JOHIM CS Limited (now Waverton Companies Limited) and JOHIM (Holdings) Limited (now Waverton Holdings Limited) rebranded on 13<sup>th</sup> January 2014.

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

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Signed on behalf of the Board of Directors on 29<sup>th</sup> January 2015

By order of the Board



Hugh Grootenhuis  
Director  
21 St James's Square  
London, SW1Y 4HB

**Independent Auditor's Report to the Members of BNL Investments UK Limited**

We have audited the financial statements of BNL Investments UK Limited for the period ended 31 December 2013 set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



**Nicholas Edmonds (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

29<sup>th</sup> January 2015



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**Consolidated Statement of Comprehensive Income**
**For the period ended 31 December 2013**

	Note	From date of incorporation to 31 December 2013
		£000
Revenue	4	11,882
Administrative expenses	5	(11,582)
Operating profit		<u>300</u>
Other income	8	16
Interest payable		(721)
Loss before tax		<u>(405)</u>
Income tax charge	9	<u>(394)</u>
(Loss) after tax for the period		<u>(799)</u>
Total comprehensive income for the period		<u>(799)</u>

There was no other comprehensive income other than the loss for the period from date of incorporation. All gains and losses from activities relate to continuing operations.

The Company's profit after tax was £9,683k for the period ended 31 December 2013.

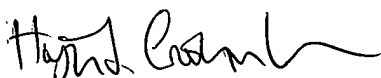
The notes on pages 13 to 29 form part of these financial statements.

**Consolidated Statement of Financial Position****As at 31 December 2013**

	<b>Note</b>	<b>2013 £000</b>
<b>Non-current assets</b>		
Property, plant and equipment	11	208
Goodwill	21	15,768
Intangible assets	22	6,760
Deferred tax asset	9	198
<b>Current assets</b>		
Trade and other receivables	13	8,074
Other assets	14	1,335
Cash at bank and in hand	12	13,600
<b>Total assets</b>		<b><u>45,943</u></b>
<b>Current liabilities</b>		
Trade and other payables	15	6,768
Current period tax		1,475
<b>Non-current liabilities</b>		
Loans	15	20,999
Provision for restoration costs	17	300
<b>Total liabilities</b>		<b><u>29,542</u></b>
<b>Capital &amp; reserves</b>		
Issued share capital	17	17,200
Retained earnings		(799)
<b>Total equity</b>		<b><u>16,401</u></b>
<b>Total equity and liabilities</b>		<b><u>45,943</u></b>

The notes on pages 13 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29<sup>th</sup> January 2015 and signed on its behalf by:



Hugh Grootenhuis  
Director

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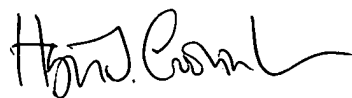
Company Statement of Financial Position

As at 31 December 2013

	Note	2013 £000
<b>Non-current assets</b>		
Investment in subsidiaries	20	50,000
<b>Total assets</b>		<b><u>50,000</u></b>
<b>Current liabilities</b>		
Intercompany payable	15	2,118
<b>Non-Current liabilities</b>		
Loans	15	20,999
<b>Total liabilities</b>		<b><u>23,117</u></b>
<b>Capital &amp; reserves</b>		
Issued share capital	17	17,200
Retained earnings		9,683
<b>Total equity</b>		<b><u>26,883</u></b>
<b>Total equity and liabilities</b>		<b><u>50,000</u></b>

The notes on pages 13 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29<sup>th</sup> January 2015 and signed on its behalf by:



Hugh Grootenhuis  
Director

**Consolidated Statement of Changes in Equity**

From date of incorporation to 31 December 2013

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
<b>Balance as at 12 March 2013</b>	-	-	-	-
Share Capital Issued	17,200	-	-	17,200
Net loss for the period	-	-	(799)	(799)
<b>Balance as at 31 December 2013</b>	<u>17,200</u>	=	<u>(799)</u>	<u>16,401</u>

**Company Statement of Changes in Equity**

From date of incorporation to 31 December 2013

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
<b>Balance as at 12 March 2013</b>	-	-	-	-
Share Capital Issued	17,200	-	-	17,200
Net profit for the period	-	-	9,683	9,683
<b>Balance as at 31 December 2013</b>	<u>17,200</u>	=	<u>9,683</u>	<u>26,883</u>

**Consolidated Statement of Cash Flows**

For the period ended 31 December 2013

	Note	2013 £000
<b>Cash flows from operating activities</b>		
(Loss) before tax for the period		(405)
<b>Operating activities</b>		
<b>Non-cash items included in profit before tax and other adjustments:</b>		
Depreciation on property, plant and equipment	11	43
Amortisation of intangible asset	22	505
Foreign exchange losses		37
<b>Working capital movements:</b>		
Net decrease in operating assets:		<b>1,412</b>
Trade and other receivables		1,412
Net increase in operating liabilities:		<b>686</b>
Trade and other payables		686
<b>Net cash flow generated from operating activities</b>		<b>2,278</b>
<b>Investing activities</b>		
Acquisition of subsidiaries net of cash acquired		(26,841)
Acquisition of property, plant and equipment		(53)
Sale of Financial Instruments		338
<b>Net cash flow used in financing activities</b>		<b>(26,556)</b>
<b>Financing activities</b>		
Loan		20,715
Shares Issued		17,200
<b>Net cash flow used in financing activities</b>		<b>37,915</b>
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	12	-
Effect of exchange rate fluctuations on cash held		(37)
Cash and cash equivalents at the end of the period	12	13,600

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**Notes to the financial statements****1) General**

BNL Investments UK Limited is domiciled in England and Wales. The address of the Company's registered office is 21 St James's Square, London, SW1Y 4HB.

**2) Significant accounting policies****a) Statement of compliance**

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

On publishing the Company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statements of income and related notes.

**b) Basis of preparation**

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group. The financial statements are presented in pounds sterling ('GBP'), rounded to the nearest thousand. They are prepared on the historical cost basis.

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

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

On 28<sup>th</sup> March 2013, the ultimate holding parent of the Company, Credit Suisse AG, entered into a sale and purchase agreement to dispose of its 100% stake in JOHIM CS Limited to Bermuda National Limited ("BNL"). Completion took place on 2<sup>nd</sup> August 2013. Post completion Somers Limited own 62.5% of the issued share capital with the balance owned by Waverton's management and staff who have invested together with BNL.

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## Standards and interpretations

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

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

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

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

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

- **IFRS 9 Financial Instruments:** In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting IFRS 9.

## Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and all its subsidiaries as at 31 December 2013.

All intercompany balances and transactions are eliminated in full on consolidation. The financial statements of the Company's subsidiaries are presented for the same reporting year as the Company, or from the date of acquisition, being the date which the Company obtains control, if less than the reporting year, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

## Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

## Impairment

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

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**Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date that they are available for use. The estimated useful life for the intangible assets related to customer contracts is 6 years.

**Foreign currency**

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

**Loans**

Loans are intra-group and commercial borrowings which are recognised initially at fair value net of transaction costs. These borrowings are subsequently stated at amortised cost using the effective interest rate method.

**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.

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



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

Information as to the calculation of income tax on the profit or loss and deferred tax for the periods presented is included in Notes 9 and 10.

### **Dividends**

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

### **Finance costs**

Interest payable on intra-group borrowings is calculated at 8.25% and is recognised on an accruals basis. Interest payable on commercial borrowings is at 5.50% and is recognised on an accruals basis.

### **Financial assets**

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a receivable position or a portfolio of such positions is impaired. An individual receivable position or portfolio of positions is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The amount of the loss is recognised in the Statement of Comprehensive Income.

An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of the receivable balance in accordance with the original contractual terms of the agreement.

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

### **Cash and cash equivalents**

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

### **Revenue**

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

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**3) Critical accounting estimates, judgements and evaluation of intangibles in applying accounting policies**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Goodwill**

Goodwill acquired as part of an acquisition is initially recognised at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The basis of the fair valuation of the assets, liabilities and contingent liabilities require significant estimates and judgement to estimate their future value to the group as part of the review of the evaluation of the carrying value of goodwill.

**Income taxes****Deferred tax valuation**

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

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

**Tax contingencies**

Significant judgment is required in determining the effective tax rate and in evaluating certain tax positions. The Group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of audits or when an event occurs requiring a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

**4) Revenue**

Revenue is arrived at as follows:

	<b>From date of incorporation to 31 December 2013</b>
	<b>£000</b>
Fees	11,010
Brokerage commission	513
Margin on client money	249
Other Income	110
	<b><u>11,882</u></b>

**5) Profit before taxation**

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

	<b>From date of incorporation to 31 December 2013</b>
	<b>£000</b>
Depreciation of property, plant and equipment	33
Exchange losses	39
Operating leases	390
Amortisation of intangible assets	505

**6) Auditor's remuneration**

	<b>From date of incorporation to 31 December 2013</b>
	<b>£000</b>
Audit of these financial statements	8
Amounts receivable by the company's auditor and its associates in respect of:	
Audit of financial statements of subsidiaries of the company	47
Taxation compliance services	15
All other services	-

**7) Emoluments of Directors**

Excluding pension contributions, the aggregate amount of emoluments of the highest paid Director for the 5 month period to 2013 were £129,792. The Group also contributed £13,672 to their pension scheme during the period.

	<b>From date of incorporation to 31 December 2013</b>
	<b>£000</b>
Statutory Directors' emoluments (for all group companies)	805
Group contributions to pension schemes invested on a money purchase basis in respect of:	
14 Statutory Directors	79
	<b><u>883</u></b>

**8) Staff numbers and costs**

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

	<b>2013</b>
Fund management	37
Administration	<u>72</u>
	<b><u>109</u></b>

The aggregate payroll costs of these persons were as follows:

	<b>From date of incorporation to 31 December 2013 £000</b>
Wages and salaries	4,219
Social security costs	434
Other pension costs	<u>438</u>
	<b><u>5,091</u></b>

Other pension costs relate to the Group contributions due to the defined contribution pension schemes for the benefit of all employees.

**9) Income tax – Consolidated****a) Analysis of tax charge in the period**

	<b>2013 £000</b>
<b>Current tax</b>	
Current tax on profits in the period	374
Adjustments in respect of previous periods	=
Total current tax charge	<b><u>374</u></b>
<b>Deferred tax</b>	
Origination and reversal of timing differences	23
Adjustment in respect of previous periods	-
Effect of tax rate change	<u>(3)</u>
Total deferred tax	<b><u>20</u></b>
Total income tax charge	<b><u>394</u></b>

**b) Factors affecting the tax charge / (credit) for the period**

Income tax expense for the period was £394,298. This is higher than the statutory tax rate applying in the period of 23.25%. The differences are explained below:

	<b>Group 2013 £000</b>
(Loss) on ordinary activities before taxation	(405)
(Loss) before tax multiplied by the UK statutory rate of corporation tax at the rate of 23.25%	(94)
Disallowed amortisation expense	117
Other permanent differences	374
Effect of change in tax rate	(3)
Income tax charge	<b><u>394</u></b>

**c) Provision for deferred tax**

Deferred taxes are calculated on temporary differences under the balance sheet method using an effective tax rate of 20%.

	<b>2013 £000</b>
The movement for the period on the deferred tax account is as follows:	
At the beginning of the period	218
Benefit to income for the period	(23)
Effect of change in tax rate	3
At end of period	<b><u>198</u></b>

Deferred tax balances are attributable to the following assets:

Decelerated tax depreciation	186
Pension accruals	<u>12</u>
At end of period	<b><u>198</u></b>

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. This resulted in a weighted average corporation tax rate of 23.25% for the Group for the period ended 31 December 2013.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A reduction in the rate at which deferred tax balances are recognised from 23% to 20% has resulted in a reduction in the Group's deferred tax asset by £3,254.

The reduction in the corporation tax rate is expected to reduce the Group's current tax charge in future periods.

**10) Income tax – Company**

Income tax benefit for the period was £168k.

**Factors affecting the tax benefit for the period:**

The current tax benefit for the period differs from the standard rate of corporation tax in the UK of 23.25%. The differences are explained below:

	Company 2013 £000
Profit on ordinary activities before taxation	<u>9,515</u>
Profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 23.25%	2,212
Permanent differences	<u>(2,380)</u>
Income tax expense/(benefit) for the period	<u>(168)</u>

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. The main rate of corporation tax for the period beginning 1 April 2013 reduced from 24% to 23%. This resulted in a weighted average of 23.25% for the period ended 31 December 2013.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted in 2 July 2013.

**11) Property, plant and equipment**

	Leasehold Improvements	Fixtures, Fittings & Equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 31 March 2013	-	-	-
Acquisition	69	129	198
Additions	-	53	53
Write-offs	-	(22)	(22)
At 31 December 2013	<u>69</u>	<u>160</u>	<u>229</u>
<b>Accumulated depreciation</b>			
At 31 March 2013	-	-	-
Charge for the period	(13)	(30)	(43)
Write-offs	-	22	22
At 31 December 2013	<u>(13)</u>	<u>(8)</u>	<u>(21)</u>
<b>Net book value</b>			
At 31 December 2013	<u>56</u>	<u>152</u>	<u>208</u>

**12) Cash and cash equivalents**

As at 31 December 2013

	<b>Group</b>	<b>Company</b>
	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<u>13,600</u>	=

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

**13) Trade and other receivables**

As at 31 December 2013

	<b>Group</b>	<b>Company</b>
	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade receivables	497	-
Other receivables	492	-
Accrued income	<u>7,085</u>	=
	<u><b>8,074</b></u>	=

**14) Other assets**

As at 31 December 2013

	<b>Group</b>	<b>Company</b>
	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Prepayments	<u>1,335</u>	<u>213</u>

**15) Trade and other payables**

As at 31 December 2013

	<b>Group</b>	<b>Company</b>
	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Current liabilities</b>		
Staff cost liabilities	3,929	-
Other liabilities	424	2,118
Other payables	607	-
Trade payables	378	-
Accruals	348	-
Current Period Tax Accrual	1,585	-
Group relief payable to Credit Suisse	<u>1,082</u>	=
	<u><b>8,353</b></u>	<u><b>2,118</b></u>

	Group 2013 £000	Company 2013 £000
<b>Non-current liabilities</b>		
Other liabilities	300	-
Loans	<u>20,999</u>	<u>20,999</u>
	<b><u>21,299</u></b>	<b><u>20,999</u></b>

The acquisition of the JOHIM group from Credit Suisse included the financing of £21m from companies with the Somers Group for a 5 year term. These monies were borrowed @ 8.25% per annum, during the period to 31 December 2013 an interest expense of £710,404 was incurred of which £436,685 was paid with the balance of £273,719 represented as part of the loan balance. £285,122 of capital was repaid on 30 November 2013.

On 24 December 2013 £10m of the outstanding loan balance with Somers Group was refinanced with the Bank of Butterfield @ 5.5% for a 5 year term which incurred a further accrued interest expense of £10,547.

#### Loans

	Somers Group £000	Bank of Butterfield £000	Total £000
<b>Balance as at 12 March 2013</b>	-	-	-
Borrowings	21,000	10,000	31,000
Repayments	(10,285)	-	(10,285)
Accrued Interest	710	11	721
Interest paid	(437)	-	(437)
<b>Balance as at 31 December 2013</b>	<u>10,988</u>	<u>10,011</u>	<u>20,999</u>

#### 16) Provision for restoration costs

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

#### 17) Issued share capital

	2013 £000
2,640,000 Ordinary A Shares of £1 each	2,640
3,810,000 Ordinary B Shares of £1 each	3,810
10,750,000 Ordinary C Shares of £1 each	<u>10,750</u>
	<b><u>17,200</u></b>

#### Authorised share capital

	2013 £000
2,640,000 Ordinary A Shares of £1 each	2,640
3,810,000 Ordinary B Shares of £1 each	3,810
10,750,000 Ordinary C Shares of £1 each	<u>10,750</u>
	<b><u>17,200</u></b>

All classes of share carry full voting, dividend and capital distribution rights.



**18) Operating leases**

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

	<b>2013</b>
	<b>£000</b>
Within 1 year	911
Between 1-3 years	<u>683</u>
	<b><u>1,593</u></b>

**19) Financial instruments risk position****Overview**

The Group's risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with control framework and in consideration of industry best practices. The primary responsibility for risk management lies with the subsidiary undertaking, 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 Group. The primary objectives of risk management are to protect the financial strength and the reputation of Group, while looking to ensure that capital is well deployed to maximise income and shareholder value. Group's risk management framework is based on the following principles, which apply universally across all risk types.

- Protection of financial strength: Group manages risk in order to limit the impact of potentially adverse events on Group's capital and income. Group's risk appetite is to be consistent with its financial resources.
- Protection of reputation: The value of Group'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 Group Board of Directors and can be balanced against business goals.
- Management accountability: Group is organised into segments that own the comprehensive risks assumed through their operations. Management of each segment is responsible for the ongoing management of their respective risk exposures and earning a sufficient long term return for the risks taken.
- Independent oversight: Risk management is a structured process to identify, measure, monitor and report risk. The risk management, controlling and legal and compliance functions operate independently of the front office to ensure the integrity of Group'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 the Group.

**Risk management oversight**

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

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

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

**a. Market risk****Overview**

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

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

**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 Group may enter into transactions denominated in currencies other than its functional currency. Consequently the Group 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 Group's assets or liabilities denominated in currencies other than GBP. Management do not actively manage this risk.

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

**Interest rate risk**

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

A change of 50 basis points in interest rates during 2013 would have increased/decreased profit by £67,523.

**b. Concentration risk**

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

**c. Credit risk****Overview**

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

The Group 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 Group's assets are not held as collateral nor are they encumbered. The Group regularly assess 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:

	<b>2013</b>
	<b>£000</b>
Trade and other receivables	8,074
Cash and cash equivalents	<u>13,600</u>
Total	<u><b>21,674</b></u>

Distribution of loans and receivables by credit quality:

	<b>2013</b>
	<b>£000</b>
Neither past due nor impaired	<u><b>20,999</b></u>

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

**d. Liquidity risk****Overview**

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

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

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

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

**As at 31 December 2013**

	On Demand	Less than one year	1-3 years	3-5 Years	>5 years	Total
Trade and other payables	7,192	-	-	-	-	7,192
Other liabilities	1,081	584	-	20,715	-	22,380
Total financial liabilities	8,273	584	-	20,715	-	<u>29,572</u>

The following table sets out details on the remaining contractual maturity of the company financial liabilities:

**As at 31 December 2013**

	On Demand	Less than one year	1-3 years	3-5 years	>5 years	Total
Trade and other payables	-	2,402	-	20,715	-	23,117
Total financial liabilities	-	2,402	-	20,715	-	23,117

**20) Investment in Subsidiaries**

The carrying value of Investment in Subsidiaries represents the value of the 100% ownership of JOHIM CS Limited and its related subsidiaries. For annual impairment review purposes the Directors considered the Company's investment in subsidiaries and reassessed the fair value in the 31 December 2013 balance sheet. Based on this revised assessment which incorporated a number of factors including assets held under management, operating environment and agreed business plan of BNL Investments UK Limited no impairment was considered necessary in the current period.

**The company acquired the following group undertakings as at 2 August 2013:**

Name of company	% Holding	Type of share held	Principal activity
<i>Held directly</i>			
JOHIM CS Limited	100%	Ordinary shares	Holding company
<i>Held indirectly</i>			
JOHIM (Holdings) Limited	100%	Ordinary shares	Holding company
J O Hambro Asset Management Limited	100%	Ordinary shares	Holding company
Waverton Investment Management Limited	100%	Ordinary shares	Investment Management company

The fair value of the identifiable assets and liabilities of the acquired group of companies as at the date of acquisition were:

	£000
Cash at hand and in bank	23,159
Financial instruments	338
Prepayments and other assets	10,821
Property, plant and equipment	198
Deferred tax assets	218
Goodwill and other intangibles	23,033
Other liabilities	(7,767)
<b>Net Consideration</b>	<b>50,000</b>

**21) Goodwill**

The carrying value of goodwill represented in the Group statement of financial position was recognised in the current period as part of the acquisition of the JOHIM CS Limited and its' associated subsidiary companies. No further impairment was considered necessary in the current period.

**Group Statement of Changes in value of goodwill**

For the period ended 31 December 2013

	Goodwill £000
Goodwill recognised as at 2 August 2013	<u>15,768</u>
Balance as at 31 December 2013	<u>15,768</u>

**22) Intangible Assets**

The Directors recognised the value of a customer intangible as part of the acquisition process to reflect the value of the client book of the operating company. The company is split into five revenue generating business units, only the Private Client team was assessed for value being 69% of the AUM of the firm, the other departments were not considered on materiality grounds. The value attributed to the Private Client team is reflective of the anticipated future cash flows from the department assuming a WACC of 10.2% and an assumed life of 7 years based upon historical data.

For the period ended 31 December 2013

	Customer Intangible £000
Customer intangible recognised as at 2 August 2013	<u>7,265</u>
Amortisation during the period	(505)
Balance as at 31 December 2013	<u>6,760</u>

**23) Related party transactions**

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

**a) Related party assets and liabilities**

The Group have related party liabilities in relation to its parent company of £10,989k as at 31 December 2013. The company has related party liabilities in relation to its subsidiary undertakings of £2,118k as at 31 December 2013.

The Company incurred an interest expense of £710k to its parent Company during the period of which £273k was outstanding as at 31 December 2013.

**24) Parent and ultimate holding company**

The largest group in which the results of the company are consolidated is that headed by Somers Group incorporated in Bermuda. The smallest Group in which they are consolidated is that headed by BNL Investments UK Limited. The consolidated Financial Statements of these groups are available to the public at Crown Way, Maindy, Cardiff and Somers Limited, 19 Par-La-Ville Road, Hamilton HM11, Bermuda

**25) Subsequent events**

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

**26) Contingent liabilities**

There are no contingent liabilities as at 31<sup>st</sup> December 2013.