# GuardCap Asset Management Limited

Registered Number: 4667528

Annual Report and Financial Statements
for the year ended 31 December 2016

# Contents

# Corporate information

**Registered Number**
4667528

**Directors**
G Mavroudis (Chairman)
S A R Bates

**Secretary**
A Koshutova

**Auditors**
KPMG LLP
15 Canada Square
London E14 5GL

**Bankers**
C Hoare & Co.
37 Fleet Street
London EC4P 4DQ

**Solicitors**
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

**Registered Office**
11 Charles II Street
London SW1Y 4NS

# Directors' report

The directors present their report on the affairs of GuardCap Asset Management Limited (the "Company") for the year ended 31 December 2016.

### Directors
The directors who served during the year and up to the date of this report are shown on page 2.

### Going concern
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

### Future developments
The directors' expectations around future developments in the business are discussed in the Strategic Report on pages 4 and 5.

### Audit information
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors
KPMG LLP will continue as auditor in accordance with section 487(2) of the Companies Act 2006.

### Events after the balance sheet date
There have been no significant events after the balance sheet date.

For and on behalf of the board

S A R Bates
Director
7 March 2017

# Strategic report

## Activities and future developments

The principal activity of the Company is the provision of fund management and advisory services. The Company intends to continue with these activities.

The development of the Company's business is reflected in the profit and loss account and other comprehensive income. The directors consider the result for the year to be satisfactory for a business in a phase of rapid expansion. The directors do not envisage any material changes to the key activities of the business in the foreseeable future.

The directors use various performance metrics as management tools. The key performance indicators used in the business are: Gross Revenue per capita, the Variable Cost Ratio, and the Fixed Cost / Gross Revenue Ratio.

## Review of the business

The business has grown quickly over the last year with several new hires and product launches. As a consequence, costs have grown faster than revenues resulting in the operating profit for the year of £1,496,307 (2015 – loss £1,480,830). The Directors are optimistic that investment in products and personnel combined with the continuing commitment of its parent Company, Guardian Capital LP, will bear fruit in future years.

## Capital

The directors believe the Company has a strong capital position and that there is an adequate capital buffer over and above the regulatory capital requirement.

## Principal risks and uncertainties

The Company is exposed, through its operations, to the following financial and non-financial risks:

***Funds under management***

The funds under management are subject to redemption by investors. While the Company continues to market its funds there is no guarantee that subscriptions will exceed redemptions.

***Key personnel***

The Company has a small staff making it important to reward and retain key employees and this is supported by the Company's longer term remuneration policies and benefits package.

***Regulation***

The Company is authorised and regulated by the Financial Conduct Authority. The Company would have to cease trading as an investment manager if its authority to conduct investment business were to be revoked. This risk is mitigated by the firm's limited activities and the quality and experience of its staff.

# Strategic report (continued)

***Market risk***
The Company's principal exposure to market risk is through its holdings of Collective Investments in Transferable Securities. In addition, there is an indirect exposure to financial markets because the Company's investment management fee income is calculated based on the value of funds under management.

***Credit risk***
The Company's main exposure to credit risk is in respect of cash balances held by the Company's bankers.

***Interest rate risk***
The Company has little interest rate risk other than on short-term cash deposits, which are maintained on a floating rate basis, and on the rent deposit.

***Liquidity risk***
Liquidity risk is minimal as the Company maintains large cash balances.

***Currency exchange rate risk***
Although only small cash balances are maintained in foreign currencies the Company has some exposure to currency exchange rate risk because its fund management fee income is denominated in US Dollars.

***Operational risk***
The Company is exposed to operational risks which may arise from loss of revenue or unexpected increases in operating expenditure.

For and on behalf of the board

S A R Bates
Director
7 March 2017

# 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

# Independent auditor's report to the members of GuardCap Asset Management Limited

We have audited the financial statements of GuardCap Asset Management Limited for the year ended 31 December 2016 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

**Respective responsibilities of directors and auditor**

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

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

# Independent auditor's report to the members of GuardCap Asset Management Limited (continued)

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

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

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

Sinead O'Reilly

**Sinead O'Reilly (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
London E14 5GL
7 March 2017

# Profit and loss account and other comprehensive income
**for the year ended 31 December 2016**

| | *Notes* | ***2016*** | *2015* |
|---|---|---|---|
| | | ***£*** | *£* |
| Turnover | 2 | **891,478** | 676,365 |
| Gains on investments held at fair value through profit and loss | 7 | **5,155,091** | 43,148 |
| Administrative expenses | | **(4,550,262)** | (2,200,343) |
| **Operating profit/(loss)** | 3 | **1,496,307** | (1,480,830) |
| Property and services income | | **–** | 84,452 |
| Interest receivable | | **719** | 5,263 |
| Interest payable | | **(129,278)** | – |
| ***Profit/(loss) on ordinary activities before tax*** | | **1,367,748** | (1,391,115) |
| Tax on profit on ordinary activities | 5 | **–** | – |
| ***Profit/(loss) and total comprehensive income for the year*** | | **1,367,748** | (1,391,115) |

The Company's property and services income ceased during 2015.

# Balance sheet
**at 31 December 2016**

| | Notes | **2016** | 2015 |
|---|---|---|---|
| | | **£** | £ |
| ***Fixed assets*** | | | |
| Tangible fixed assets | 6 | **128,047** | 153,620 |
| Investments held at fair value through profit and loss | 7 | **39,015,708** | 9,964,640 |
| | | **39,143,755** | 10,118,260 |
| ***Current assets*** | | | |
| Debtors | 8 | **177,311** | 386,287 |
| Cash and cash equivalents | 9 | **259,158** | 460,487 |
| | | **436,469** | 846,774 |
| ***Current liabilities*** | | | |
| Creditors: amounts falling due within one year | 10 | **(27,932,399)** | (684,957) |
| ***Net current (liabilities)/assets*** | | **(27,495,930)** | 161,817 |
| ***Total net assets*** | | **11,647,825** | 10,280,077 |
| ***Capital and reserves*** | | | |
| Share capital | 11 | **12,191,145** | 12,191,145 |
| Profit and loss account | 12 | **(543,320)** | (1,911,068) |
| | | **11,647,825** | 10,280,077 |

The financial statements on pages 9 to 21 were approved and authorised for issue by the Directors on 7 March 2017.

S A R Bates
Director

# Statement of changes in equity
**for the year ended 31 December 2016**

| | *Called up share capital* | *Profit & loss account* | *Total equity* |
|---|---|---|---|
| | *£* | *£* | *£* |
| At 1 January 2015 | 1,450,000 | (519,953) | 930,047 |
| Transactions with owners, recognised directly in equity: new shares issued | 10,741,145 | – | 10,741,145 |
| Total comprehensive loss for the year | – | (1,391,115) | (1,391,115) |
| ***At 31 December 2015*** | 12,191,145 | (1,911,068) | 10,280,077 |
| Transactions with owners, recognised directly in equity: new shares issued | – | – | – |
| Total comprehensive income for the year | – | 1,367,748 | 1,367,748 |
| ***At 31 December 2016*** | 12,191,145 | (543,320) | 11,647,825 |

# Statement of cash flows
**for the year ended 31 December 2016**

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| ***Cash flows from operating activities*** | | |
| Operating profit/(loss) | **1,496,307** | (1,480,830) |
| Depreciation of tangible fixed assets | **38,230** | 9,239 |
| Gains on disposals of tangible fixed assets | **-** | (69) |
| Decrease/(increase) in operating debtors and prepayments | **57,328** | (63,035) |
| Increase in operating creditors and accruals | **27,247,442** | 373,510 |
| Property and services income | **-** | 84,452 |
| Decrease/(increase) in property deposits | **151,648** | (9,357) |
| Gains on investments held at fair value through profit and loss | **(5,155,091)** | (43,148) |
| Taxation paid | **-** | - |
| Net cash flow from/(used by) operating activities | **23,835,864** | (1,129,238) |
| ***Cash flows from investing activities*** | | |
| Interest received | **719** | 5,263 |
| Interest paid | **(129,278)** | - |
| Receipts from disposals of tangible fixed assets | **-** | 1,511 |
| Payments to acquire tangible fixed assets | **(12,657)** | (157,397) |
| Payments to acquire investments | **(23,895,977)** | (9,921,492) |
| Net cash flow used by investing activities | **(24,037,193)** | (10,072,115) |
| ***Cash flows from financing activities*** | | |
| Share capital issued | **-** | 10,741,145 |
| Net cash flow from financing activities | **-** | 10,741,145 |
| ***Cash and cash equivalents and movements therein*** | | |
| Decrease in cash and cash equivalents | **(201,329)** | (460,208) |
| Cash and cash equivalents at beginning of year | **460,487** | 920,695 |
| Cash and cash equivalents at end of year | **259,158** | 460,487 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of year comprise the following: | | |
| Cash at bank | **174,158** | 160,487 |
| Short term deposits | **85,000** | 300,000 |
| | **259,158** | 460,487 |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 1. Accounting policies

***Statement of compliance***
GuardCap Asset Management Limited is a limited liability company incorporated in England. The Registered Office is 11 Charles II Street, London SW1Y 4NS.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland for the year ended 31 December 2016.

***Basis of preparation***
These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are denominated in Sterling which is the functional currency of the company and rounded to the nearest pound.

***Foreign currency***
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences arising from translation are recognised in the profit and loss account.

***Revenue recognition***
Fee income net of expenses cap rebates is recognised on an accruals basis when it becomes receivable. Property and services income which represents sublease and licence income plus associated occupancy charges are credited to the profit and loss account as they become receivable. Interest income is recognised on an accruals basis when it becomes receivable.

***Tangible fixed assets***
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are:
- Leasehold property – the term of the lease
- Office equipment - 3 to 5 years
- Furniture and fittings - from purchase until in the end of the lease

# Notes to the financial statements
**for the year ended 31 December 2016**

## 1. Accounting policies (continued)

***Basic financial instruments***

*Trade and other debtors and creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. Any losses arising from impairment are recognised in the profit and loss account and other comprehensive income.

*Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

***Other financial instruments***

*Investments*

Investments comprise investments in undertakings for collective investments in transferable securities which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is determined by market value.

***Expenses***

*Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Pensions*

Defined contributions made by the Company to the personal pension schemes of employees are charged to the profit and loss account as they accrue.

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

# Notes to the financial statements
**for the year ended 31 December 2016**

## 1. Accounting policies (continued)

***Taxation (continued)***
Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

***Related party transactions***
Related party transactions are disclosed in the notes to the financial stataments.

## 2. Turnover
Turnover represents fund management and advisory services provided during the year and arising from continuing activities. The geographical analysis of turnover is:

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| Cayman Islands | 478,975 | 586,727 |
| United States of America | 53,410 | 51,423 |
| Canada | 81,443 | 33,021 |
| Republic of Ireland | 277,650 | 5,194 |
| | 891,478 | 676,365 |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 3. Operating profit/(loss)
The operating profit/(loss) is stated after charging:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Auditor's remuneration | | |
| Audit services | 12,015 | 11,896 |
| CASS | 10,000 | 6,000 |
| Depreciation | 38,230 | 9,239 |
| Operating lease rentals - land and buildings | 176,530 | 238,396 |

## 4. Information regarding directors and employees

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Directors' emoluments | 160,000 | 75,000 |
| The highest paid director | 160,000 | 75,000 |
| Employee costs | | |
| Wages and salaries | 1,277,304 | 1,005,775 |
| Social security costs | 163,818 | 128,655 |
| Other pension costs | 97,671 | 22,493 |
| | 1,538,793 | 1,156,923 |

| | 2016 | 2015 |
|---|---|---|
| | Number | Number |
| The average number of employees was | | |
| Fund management | 8 | 6 |
| Marketing | 1 | 1 |
| Administration | 2 | 2 |
| | 11 | 9 |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 5. Tax on profit on ordinary activities

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| **Total tax expense/(income) recognised in the profit and loss account and other comprehensive income and equity** | | |
| Current tax: UK Corporation Tax at 20% (2015 - 20.25%) | (373,482) | (310,435) |
| Deferred tax | 373,482 | 310,435 |
| Total | – | – |

**Reconciliation of the current tax charge for the year**

The difference between the tax assessed for the period and the standard rate of corporation tax is explained as follows:

| | *2016* | *2015* |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | 1,367,748 | (1,391,115) |
| Standard rate of corporation tax in the UK | 20.00% | 20.25% |
| Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax | 273,550 | (281,701) |
| Expenses not deductible for tax purposes | 4,804 | 366 |
| Timing differences between capital allowances and depreciation | 3,030 | (30,375) |
| Gains taxed when realised | (655,135) | (8,737) |
| Other short term timing differences | 269 | 10,012 |
| | (373,482) | (310,435) |
| Tax losses for which no deferred tax asset was recognised | 373,482 | 310,435 |
| Current tax charge for the year | – | – |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 5. Tax on profit on ordinary activities (cont'd)

**Deferred tax**

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| Net book value of fixed assets eligible for capital allowances | 94,968 | 153,620 |
| Written down value for Corporation Tax purposes | 5,437 | 8,079 |
| Timing difference related to fixed assets | (89,531) | (145,541) |
| Tax losses carried forward | 3,996,912 | 2,144,667 |
| Unrealised gains taxed when realised | (3,307,583) | – |
| Other timing differences | 10,428 | – |
| Total timing differences | 610,226 | 1,999,126 |

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The total timing differences multiplied these standard rates of UK Corporation Tax are:

| *Corporation* | *Deferred tax asset* | |
|---|---|---|
| *Tax rate* | *2016* | *2015* |
| % | *£* | *£* |
| 20% | 122,045 | 399,825 |
| 19% | 115,943 | 379,834 |
| 18% | – | 359,843 |
| 17% | 103,738 | – |

The deferred tax asset arising from short term timing differences has not been recognised in the balance sheet because its realisation is uncertain.

## 6. Tangible fixed assets

| | *Cost* | *Depreciation* | *Net book value* |
|---|---|---|---|
| | *£* | *£* | *£* |
| ***Office equipment, fixtures and fittings*** | | | |
| At beginning of year | 180,195 | (26,575) | 153,620 |
| Additions | 12,657 | (38,230) | |
| Disposals | – | – | |
| At end of year | 192,852 | (64,805) | 128,047 |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 7. Investments held at fair value through profit and loss

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| ***Investment in GuardCap UCITS Funds plc*** | | |
| At beginning of year | 9,964,640 | – |
| Additions at cost | 23,895,977 | 9,921,492 |
| Gain from fair value adjustment | 5,155,091 | 43,148 |
| At end of year | 39,015,708 | 9,964,640 |

The Company is the investment manager and promoter of GuardCap UCITS Funds plc which is an Undertaking for Collective Investment in Transferable Securities registered in the Republic of Ireland.

The fair value adjustment has been calculated using an unadjusted quoted price for identical assets and liabilities in an active market.

## 8. Debtors

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| Trade debtors | – | 11,382 |
| Group companies | 18,830 | 39,828 |
| Property deposits | – | 151,648 |
| Other debtors | (54) | 44,698 |
| Prepayments and accrued income | 158,535 | 138,731 |
| | 177,311 | 386,287 |

## 9. Cash and cash equivalents

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| Cash at bank and in hand | 174,158 | 160,487 |
| Short term deposits | 85,000 | 300,000 |
| | 259,158 | 460,487 |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 10. Creditors: amounts falling due within one year

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Trade creditors | 28,610 | 29,641 |
| Group companies | 27,303,044 | 38,110 |
| Other creditors | 74,836 | 52,389 |
| Accruals and deferred income | 525,909 | 564,817 |
| | 27,932,399 | 684,957 |

Indebtedness to group companies includes amounts due to Guardian Capital Group Limited (the company's ultimate parent company) under the terms of a grid promissory note issued on 9 March 2016. Interest is payable at a rate prescribed by the Canada Revenue Agency for loans to affiliated non-residents, currently set at 1%.

| | | |
|---|---|---|
| The loan balance outstanding at the balance sheet date was: | 27,266,320 | – |

## 11. Share capital

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Allotted, called up and fully paid Ordinary Shares of £1 each | | |
| At beginning of year | 12,191,145 | 1,450,000 |
| Allotted for cash | – | 10,741,145 |
| At end of year | 12,191,145 | 12,191,145 |

## 12. Reserves

***Profit & loss account***
This reserve records the Company's accumulated profit or loss after tax and is used to provide working capital for the business and fund dividend payments to shareholders.

## 13. Other financial commitments and contingencies

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Land and buildings: operating leases which expire | | |
| - within one year | – | 17,445 |
| - during years 2 to 5 | 691,198 | 885,278 |
| - thereafter | – | – |

# Notes to the financial statements
**for the year ended 31 December 2016**

## 14. Related party transactions

| | *2016* | *2015* |
|---|---|---|
| | *£* | *£* |
| **Guardian Capital LP (parent company)** | | |
| Receipts: Subscription for shares | – | 10,741,145 |
| Income: Fees earned | 81,443 | 33,021 |
| Debtor at reporting date | – | 32,056 |
| **Guardian Capital Group Limited** | | |
| Receipts: Loans | 27,266,320 | – |
| Expenses: Loan interest | 129,278 | – |
| Expenses: Recharged expenses | 57,892 | 39,603 |
| Creditor at reporting date | 27,303,044 | 38,110 |
| **GuardCap UCITS Funds plc** | | |
| Income: Fees earned | 277,650 | 5,194 |
| Payments: purchase of shares less redemptions | 23,895,977 | 9,921,492 |
| Investment balance at reporting date | 39,015,708 | 9,964,640 |
| Debtor at reporting date | 18,830 | 7,772 |

## 15. Parent undertaking and controlling party

The Company's immediate parent undertaking is Guardian Capital LP (a limited partnership formed under and governed by the laws of the Province of Ontario, Canada) which is a wholly owned subsidiary of Guardian Capital Group Limited (a limited company formed under and governed by the laws of the Province of Ontario, Canada).

## 16. Events after the balance sheet date

There have been no significant events after the balance sheet date.

# Supplementary unaudited information

***Capital adequacy***

The application of the Capital Requirements Directive requires the company to make disclosures about its capital resources and requirements. The disclosure requirements (Pillar 3) are to compliment the minimum capital requirements (Pillar 1) and the assessed requirement (Pillar 2) and are intended to encourage market discipline by allowing the market participants to assess key pieces of information on risk exposures and risk assessment processes of the company.

The company will continue to make these disclosures annually as Supplementary Information in the financial statements. The following disclosures are in accordance with BIPRU 11 and are based on the position as at the balance sheet date.

***Capital resources***

The company's capital, comprising share capital and reserves, totals £11,648,000 (2015 - £10,280,000) and is all Tier one.

***Capital requirement***

The company's capital requirement is greater than its base capital requirement of €50,000 and has been analysed as follows:

| | *2016 Pillar 1 £000s* | *2016 Pillar 2 £000s* | *2015 Pillar 1 £000s* | *2015 Pillar 2 £000s* |
|---|---|---|---|---|
| Credit Risk | 3,149 | 3,149 | 838 | 838 |
| Market Risk | 951 | 951 | 4 | 4 |
| Operational Risk | – | – | – | – |
| Fixed overhead requirement | 1,561 | 1,561 | 500 | 500 |
| Capital requirement | 4,100 | 4,100 | 842 | 842 |