

# **GuardCap Asset Management Limited**

Registered Number: 4667528

Annual Report and Financial Statements  
for the year ended 31 December 2020

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## Corporate information

### Registered Number

4667528

### Directors

G Mavroudis (Chairman)  
S A R Bates

### Secretary

A Koshutova

### Independent auditor

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 2020.

### **Directors**

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

### **Going concern**

Notwithstanding net current liabilities of £5,062,657 as at 31 December 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Company meets its working capital requirements from the provision of fund management and advisory services and the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of Covid-19, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

Subsequent to the year end, the Company has fully repaid its intercompany loan and the directors do not anticipate any future financing requirement to cover liabilities.

The Company has investments of £46,359,949 which are traded in an active market and, although classified as non-current assets, the directors consider they can be liquidated at any time if needed to meet liabilities.

During the Covid-19 pandemic, the Company's staff have been working from home for most of the time and the Company's operations have been unaffected and there has been no significant disruption to any aspect of the business.

Consequently, the directors are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Dividend**

The directors do not recommend the payment of a dividend (2019 Nil).

### **Other Information**

An indication of likely future developments and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 5 to 7.

### **Audit information**

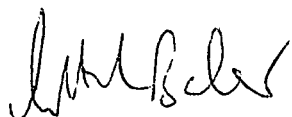
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors each director has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

## Directors' report

### Auditor

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

For and on behalf of the board

A handwritten signature in black ink, appearing to read 'S A R Bates', is written over a horizontal line.

S A R Bates  
Director  
19 February 2021

## 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 encouraging 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 assets under management, fee rates and headcount costs as well as resource costs as benchmarked against other firms of our size and nature.

### Review of the business

The business has grown significantly during 2020, as reflected by:

- assets under management rising from USD 3.25 billion (about £2.26 billion) at the end of last year to USD 8.65 billion (about £6.33 billion) this year;
- turnover is £19.0 million this year compared with £8.7 million last year.
- operating profit this year is £6.4 million compared with £1.8 million last year, and
- total net assets at the reporting date were £38.5 million compared with £29.1 million at the end of last year.

There have been two major factors affecting the business during 2020. The first is the impact of the pandemic, which has meant that the majority of employees have been working from home for the majority of the period since March. The Company's operations were unaffected by the changes required to comply with the rules and regulations surrounding the COVID crisis. Business continuity planning has been shown to be effective and the Company experienced no significant disruption to any aspect of its business. Where appropriate, measures were put in place to ensure that employees visiting the office at times when such activity was permitted, were kept safe and that measures to comply with regulations were enforced.

The second factor was that the business increased substantially, with assets under management rising from USD 3.25 billion to USD 8.65 billion by the end of the year. Once again most of the new activity was focused on the Global Fundamental strategy. A number of accounts won in 2019 were funded during the year, and there were significant additional wins from a major Canadian institution and from a Danish pension fund. This latter has yet to be funded. Both the UCITS and the sub advised Canadian mutual fund also grew substantially and a number of new initiatives were undertaken, the most notable of which was the launch of a pooled vehicle in Australia. The client base is diverse both by geography and by client type.

Looking at the year ahead, a number of mandates already secured are expected to fund during the early part of 2021, and the outlook remains promising.

Financial support from the Canadian parent will no longer be required – we repaid the outstanding intercompany loan during January 2021 –but we remain reliant on resources in Toronto for a variety of functional areas. The year ahead looks very promising.

## Strategic report

### **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. This risk is mitigated by the diversity of the Company's clients and portfolios.

#### ***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.

Having left the EU, there is some uncertainty around managing client assets from a London base. The directors are keeping this under review in case it becomes necessary to open a MiFID compliant business in an EU jurisdiction.

#### ***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 is exposed to credit risk in respect of balances held by the Company's bankers and to fund custodians and distributors for unpaid management fees.

#### ***Interest rate risk***

The Company's principal exposure to interest rate risk relates to the loan from Guardian Capital Group Limited (the Company's parent company) on which interest is payable at a variable rate prescribed by the Canada Revenue Agency for loans to non-residents.

#### ***Liquidity risk***

Liquidity risk arises from having insufficient cash resources to meet liabilities as they fall due. This risk is managed through the preparation of monthly cashflow forecasts. Having fully repaid the intercompany loan in January 2021 and with strong positive inflows forecast for 2021, liquidity risk going forward is assessed to be low.

## Strategic report

### ***Currency exchange rate risk***

Only small cash balances are maintained in foreign currencies but the Company has some exposure to currency exchange rate risk in respect of fund management fee income all of which is denominated in foreign currencies.

### ***Operational risk***

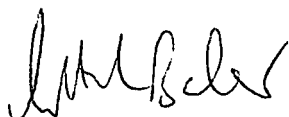
The Company is exposed to operational risks which may arise from loss of revenue or unexpected increases in operating expenditure.

### **Brexit**

As part of their review of risks facing the business, the directors have considered the question of Brexit. The UK left the EU formally on January 31st 2020 and at the end of 2020 the transition period came to an end.

Despite the signing of a trade agreement, uncertainty persists as to the ongoing trading relationship as regards financial services between the UK and the EU. The directors expect to be able to continue managing client assets from a London base, but are arranging for distribution functions to be provided by a platform service business based in Dublin. The Directors believe that, while not strictly necessary from a regulatory point of view, such an arrangement represents a conservative approach. In the longer term, the Directors will keep under review the need to open a MiFID compliant business in an EU jurisdiction.

For and on behalf of the board



S A R Bates  
Director  
19 February 2021



## **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 101 *Reduced Disclosure Framework*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

## **Opinion**

We have audited the financial statements of GuardCap Asset Management Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing journals.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits

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

legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations and financial services regulations including Client Assets and specific areas of regulatory capital and liquidity and certain aspects of company legislation and financial services legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

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

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

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

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

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

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

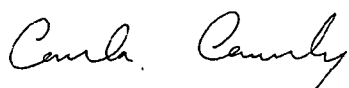
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

19 February 2020

## Profit and loss account and other comprehensive income for the year ended 31 December 2020

	Notes	2020 £	2019 as restated * £
Turnover	2	18,960,277	8,722,201
Administrative expenses		(12,526,810)	(6,880,428)
<b>Operating profit</b>	3	<b>6,433,467</b>	<b>1,841,773</b>
Gains on investments held at fair value through profit and loss	8	5,151,339	11,380,539
Interest payable	5	(203,359)	(545,060)
<b>Profit before tax</b>		<b>11,381,447</b>	<b>12,677,252</b>
Tax on profit	6	(1,963,043)	(2,381,056)
<b>Profit and total comprehensive income for the year</b>		<b>9,418,404</b>	<b>10,296,196</b>

\* Refer to note 19 for details

The notes on pages 16 to 30 form part of the financial statements.

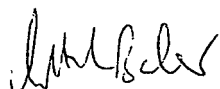
## Balance sheet at 31 December 2020

	Notes	2020 £	2019 as restated * £	01/01/2019 as restated * £
<b>Fixed assets</b>				
Tangible fixed assets	7	760,248	169,000	341,357
Investments	8	46,359,949	57,902,529	51,203,774
		<u>47,120,197</u>	<u>58,071,529</u>	<u>51,545,131</u>
<b>Current assets</b>				
Debtors	9	3,782,626	2,783,942	1,755,713
Cash and cash equivalents	10	639,647	965,140	739,766
		<u>4,422,273</u>	<u>3,749,082</u>	<u>2,495,479</u>
<b>Current liabilities</b>				
Creditors: amounts falling due within one year	11	(9,484,930)	(32,749,593)	(35,196,423)
<b>Net current liabilities</b>		<u>(5,062,657)</u>	<u>(29,000,511)</u>	<u>(32,700,944)</u>
Creditors: amounts falling due after more than one year	12	(3,572,638)	(4,520)	(73,885)
<b>Total net assets</b>		<u>38,484,902</u>	<u>29,066,498</u>	<u>18,770,302</u>
<b>Capital and reserves</b>				
Share capital	13	12,191,145	12,191,145	12,191,145
Profit and loss account		<u>26,293,757</u>	<u>16,875,353</u>	<u>6,579,157</u>
		<u>38,484,902</u>	<u>29,066,498</u>	<u>18,770,302</u>

\* Refer to note 19 for details

The notes on pages 16 to 30 form part of the financial statements.

The financial statements on pages 13 to 30 were approved and authorised for issue by the Directors on 19 February 2021.



S A R Bates  
Director

Registered Number  
4667528

## Statement of changes in equity for the year ended 31 December 2020

	<i>Called up share capital</i> £	<i>Profit &amp; loss account</i> £	<i>Total equity</i> £
At 1 January 2019	12,191,145	6,579,157	18,770,302
Total comprehensive income for the year (as restated *)	–	10,296,196	10,296,196
<b>At 31 December 2019</b>	<u>12,191,145</u>	<u>16,875,353</u>	<u>29,066,498</u>
Total comprehensive income for the year	–	9,418,404	9,418,404
<b>At 31 December 2020</b>	<u>12,191,145</u>	<u>26,293,757</u>	<u>38,484,902</u>

\* Refer to note 19 for details

The notes on pages 16 to 30 form part of the financial statements.



## **Notes to the financial statements**

### **for the year ended 31 December 2020**

#### **1. Accounting policies**

##### ***Statement of compliance***

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In previous years, the financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 19.

The financial statements are denominated in Sterling which is the functional currency of the Company and rounded to the nearest pound.

The company's ultimate parent undertaking, Guardian Capital Group Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Guardian Capital Group Limited are prepared in accordance with International Financial reporting standards and are available to the public and may be obtained from [www.guardiancapital.com](http://www.guardiancapital.com).

In accordance with FRS 101, the exemption from the requirements of IFRS to present a statement of cash flows has been applied.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2019 for the purposes of the transition to FRS 101.

##### ***Basis of preparation***

Notwithstanding net current liabilities of £5,062,657 as at 31 December 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Company meets its working capital requirements from the provision of fund management and advisory services and the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of Covid-19, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

Subsequent to the year end, the Company has fully repaid its intercompany loan and the directors do not anticipate any future financing requirement to cover liabilities.

## Notes to the financial statements for the year ended 31 December 2020

### 1. Accounting policies (continued)

The Company has investments of £46,359,949 which are traded in an active market and, although classified as non-current assets, the directors consider they can be liquidated at any time if needed to meet liabilities.

During the Covid-19 pandemic, the Company's staff have been working from home for most of the time and the Company's operations have been unaffected and there has been no significant disruption to any aspect of the business.

Consequently, the directors are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **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.

#### **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 the end of the lease

#### **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. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. 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.

## Notes to the financial statements for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### ***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.

##### ***Turnover***

Management and advisory fees net of rebates are recognised on an accrual basis. Performance fees are recognised when agreed with the client.

##### ***Expenses***

##### ***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.

##### ***Interest receivable and interest payable***

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Interest payable includes finance expense on lease liabilities recognised in profit and loss account.

##### ***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.

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.

## Notes to the financial statements for the year ended 31 December 2020

### 1. Accounting policies (continued)

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### *Leases*

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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

## Notes to the financial statements

### for the year ended 31 December 2020

#### 2. Turnover

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

	2020	2019
	£	£
By geography:		
Republic of Ireland	10,522,398	5,406,174
Canada	3,879,181	1,652,665
South Korea	2,411,763	–
Australia	722,518	1,238,207
United States of America	847,149	–
Cayman Islands	297,126	401,752
Luxembourg	280,142	23,403
	<u>18,960,277</u>	<u>8,722,201</u>
By activity:		
Management fees	14,014,335	6,212,719
Advisory fees	4,945,900	2,384,339
Performance fees	42	125,143
	<u>18,960,277</u>	<u>8,722,201</u>

#### 3. Expenses and auditor's remuneration

Included in profit are the following:

	2020	2019
	£	as restated * £
Auditor's remuneration		
Audit of these financial statements	30,800	12,700
Audit related assurance services	28,200	13,800
Tax advisory services	3,750	3,750
Depreciation	44,302	48,502
Lease amortisation (as restated *)	174,579	162,322

\* Refer to note 19 for details

## Notes to the financial statements

### for the year ended 31 December 2020

#### 4. Information regarding directors and employees

	2020 £	2019 £
Directors' emoluments	<u>335,000</u>	<u>215,000</u>
The highest paid director	<u>335,000</u>	<u>215,000</u>
Employee costs		
Wages and salaries	8,305,001	2,170,611
Social security costs	1,145,332	279,608
Other pension costs	<u>107,933</u>	<u>113,321</u>
	<u>9,558,266</u>	<u>2,563,540</u>
	2020	2019
The average number of employees was		
Fund management	9	9
Client services	7	3
Administration	<u>5</u>	<u>4</u>
	<u>21</u>	<u>16</u>

#### 5. Interest payable

	2020 £	2019 £
Loan interest	184,218	533,121
Lease interest	<u>19,141</u>	<u>11,939</u>
	<u>203,359</u>	<u>545,060</u>

## Notes to the financial statements for the year ended 31 December 2020

### 6. Tax on profit

	2020	2019
	£	as restated * £
<b>Total tax expense/(income) recognised in the profit and loss account and other comprehensive income and equity</b>		
Current tax:		
- current year	3,270,114	491,554
- adjustments in respect of prior years	1	-
	<u>3,270,115</u>	<u>491,554</u>
Deferred tax		
- origination and reversal of timing differences	(2,163,171)	1,852,897
- tax losses carried forward (as restated *)	856,098	34,055
- adjustments in respect of prior years	1	2,550
	<u>(1,307,072)</u>	<u>1,889,502</u>
<b>Total charge for the year</b>	<u><b>1,963,043</b></u>	<u><b>2,381,056</b></u>

\* Refer to note 19 for details

### 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:

Profit on ordinary activities before taxation (as restated *)	11,381,447	12,677,252
Standard rate of corporation tax in the UK	19.00%	19.00%
Profit on ordinary activities multiplied by the standard rate of corporation tax	2,162,475	2,408,677
Expenses not deductible for tax purposes	2,854	5,220
Income taxed at different rates	(202,288)	(35,391)
Prior year adjustments	2	2,550
	<u><b>1,963,043</b></u>	<u><b>2,381,056</b></u>

## Notes to the financial statements for the year ended 31 December 2020

### 6. Tax on profit on ordinary activities (continued)

#### Deferred tax in the balance sheet

	2020	2019 <i>as restated *</i>
	£	£
Included in debtors:		
Timing differences related to accruals and provisions	594,970	1,921
Tax losses (as restated *)	–	856,098
	<u>594,970</u>	<u>858,019</u>
Included in creditors		
Timing differences related to fixed assets depreciation	6,006	7,393
Unrealised gains taxed when realised	3,148,160	4,716,894
	<u>3,154,166</u>	<u>4,724,287</u>
Balance sheet movements during the year		
Deferred tax net liability at 1 January	(3,866,268)	(1,499,491)
Adjustments in respect of prior years	(1)	(2,550)
Origination and reversal of timing differences	2,163,171	(1,852,897)
Tax losses carried forward (as restated *)	(856,098)	(511,330)
Deferred tax net liability at 31 December	<u>(2,559,196)</u>	<u>(3,866,268)</u>

\* Refer to note 19 for details

### 7. Tangible fixed assets

	<i>Office equipment, fixtures and fittings</i>	<i>Leasehold property</i>	<i>Total</i>
	£	£	£
Cost at beginning of year (as restated *)	255,348	272,617	527,965
Additions at cost	29,466	780,663	810,129
Disposals	–	(272,617)	(272,617)
Cost at end of year	<u>284,814</u>	<u>780,663</u>	<u>1,065,477</u>
Depreciation at beginning of year (as restated *)	(198,956)	(160,009)	(358,965)
Depreciation charge for the year	(46,715)	(172,166)	(218,881)
Disposals	–	272,617	272,617
Depreciation at end of year	<u>(245,671)</u>	<u>(59,558)</u>	<u>(305,229)</u>
Net book value at beginning of year (as restated *)	56,392	112,608	169,000
Net book value at end of year	<u>39,143</u>	<u>721,105</u>	<u>760,248</u>

\* Refer to note 19 for details



## Notes to the financial statements for the year ended 31 December 2020

### 8. Investments

	2020 £	2019 £
<b><i>Investments held at fair value through profit and loss</i></b>		
At beginning of year	57,902,529	51,203,774
Purchases at cost	14,225,901	–
Proceeds of disposals	(30,919,820)	(4,681,784)
Realised gains	13,407,831	1,617,982
Gains from fair value adjustments	(8,256,492)	9,762,557
At end of year	<u>46,359,949</u>	<u>57,902,529</u>

The Company is the investment manager and promoter of:

GuardCap UCITS Funds plc, an Undertaking for Collective Investment in Transferable Securities registered in the Republic of Ireland.

GuardCap Global Equity Fund, a managed investment scheme registered in the Commonwealth of Australia.

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All investments held are level 1 of the fair value hierarchy and the fair value adjustment has been calculated using an unadjusted quoted price for identical assets and liabilities in an active market.

The fair value of all investments equates to the carrying value. There were no transfers out of level 1 during the year or in the prior year.

## Notes to the financial statements for the year ended 31 December 2020

### 9. Debtors

	2020	2019 <i>as restated *</i>
	£	£
Trade debtors	2,764	2,764
Amounts receivable from group companies	–	668,446
Amounts receivable from related parties	1,331,187	706,274
Other debtors	(19,916)	(25,465)
Deferred contract costs	209,222	173,688
Prepayments and accrued income	1,664,399	346,489
Tax repayable	–	53,727
Deferred tax	594,970	858,019
	<u>3,782,626</u>	<u>2,783,942</u>

\* Refer to note 19 for details

### 10. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	639,647	965,140
Short term deposits	–	–
	<u>639,647</u>	<u>965,140</u>

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

	2020	2019
	£	£
Trade creditors	69,800	19,006
Amounts payable to group companies	443,976	24,946,827
Amounts payable to related parties	26,242	–
Other creditors	556,107	321,211
Lease liabilities	187,990	79,165
Accruals and deferred income	4,330,261	2,659,097
Deferred tax	3,154,166	4,724,287
Corporation tax	716,388	–
	<u>9,484,930</u>	<u>32,749,593</u>

Indebtedness to group companies includes amounts due to Guardian Capital Group Limited (the Company's parent company) under the terms of a grid promissory note issued on 9 March 2016 which is repayable on demand. Interest is payable at a rate prescribed by the Canada Revenue Agency for loans to non-residents, currently set at 2%.

The loan balance outstanding at the balance sheet date was:	<u>443,976</u>	<u>24,821,177</u>
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## Notes to the financial statements for the year ended 31 December 2020

### 12. Creditors: amounts falling due after more than one year

	2020 £	2019 as restated * £
Lease liabilities	614,245	4,520
Other liabilities	2,958,393	–
	<u>3,572,638</u>	<u>4,520</u>

\* Refer to note 19 for details

### 13. Share capital

	2020 Number	2020 £	2019 Number	2019 £
Allotted, called up and fully paid Ordinary Shares of £1 each	<u>12,191,145</u>	<u>12,191,145</u>	<u>12,191,145</u>	<u>12,191,145</u>

### 14. Finance leases

	2020 £	2019 £
Future minimum finance lease payments are as follows:		
- within one year	235,035	79,059
- during years 2 to 5	689,112	806,965
- thereafter	–	79,059
Lease expenses recognised in the profit and loss account		
- interest	19,141	11,939
- right of use amortisation	174,579	162,322

### 15. Financial risk management

Financial risks are assessed and managed at board level. The risks which the directors consider to be applicable to the Company include credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

#### **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders. The Company is regulated by the Financial Conduct Authority and therefore is also subject to an externally imposed capital requirement. The directors monitor the level of capital to ensure the Company meets its operating requirements and doesn't breach its capital requirement.

## Notes to the financial statements for the year ended 31 December 2020

### 15. Financial risk management (continued)

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the following:

- Cash £639,647 (2019 - £965,140)  
All cash is held in UK regulated financial institutions.
- Receivables  
Amounts due from related parties at 31 December 2020 are £1,331,387 (2019 - £706,274) are receivable from collective investment schemes and are regarded by the directors as low risk. Accrued income receivable at 31 December 2020 was £1,482,416 (2019 - £201,302) is amounts due from institutional clients who the directors consider maintain a high standard of credit worthiness and are regarded to be low risk.
- Investments £46,359,949 (2019 - £57,902,529)  
All investments are in liquid funds and the credit risk is considered by the directors to be limited because the counterparties/custodians are financial institutions with high credit ratings assigned by international credit rating agencies.

#### **Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments or other cash flows. Amounts due to creditors within one year at 31 December 2020 was £6,330,764 (2019 - £28,025,306). The Company manages its liquidity risk by maintaining sufficient cash with banks to meet its commitments as they are due. Scheduled cashflows during 2021 are expected to be received when required to meet the liability to creditors due within one year. Should the Company become short of liquidity, it could redeem some of its highly liquid investments.

#### **Market risk**

The Company's activities expose it to market risk through the changes in fair value of investments and the financial risks of changes in foreign current exchange rates and interest rates.

The Company's principal exposure to equity price risk is in relation to its holdings of Collective Investments in Transferable Securities the market values of which are subject to daily valuation. The fair value of these investments at 31 December 2020 was £46,359,949 (2019 - £57,902,529). 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.

A 10% change in the fair value of investments would result in a fluctuation of +/- £4,635,995.

## Notes to the financial statements for the year ended 31 December 2020

### 15. Financial risk management (continued)

Currency risk is the possibility that changes in foreign exchange rates will result in movements in the carrying value of assets or liabilities held in different currencies. Foreign currency assets at the balance sheet date were:

Currency	Net assets £	Exchange rate
USD	46,305,896	1.36695
AUD	3,222,162	1.77261

A 10% increase in FX rates would result in £4,502,689 decrease in the carrying value of these assets and liabilities as at the year end date. A 10% decrease in FX rates would result in £5,502,907 increase in the carrying value of these assets and liabilities as at the year end date.

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs or reduced income from the Company's interest-bearing financial assets and liabilities. The Company's loan had a fixed interest rate and was fully repaid post year end. There were no other assets or liabilities exposed to interest rate risk. Therefore, the directors consider that interest rate risk arising on interest income is material.

### 16. Related party transactions

Transactions with the following related parties are conducted at arm's length:

	2020 £	2019 £
<b>Guardian Capital LP (immediate parent company)</b>		
Income: Fees earned	4,726,330	2,099,302
Expenses: Recharged expenses	99,413	95,727
<b>Guardian Capital Group Limited (ultimate parent company)</b>		
Payments: loan repayments	24,377,201	6,349,435
Expenses: loan interest	184,218	533,121
Expenses: recharged expenses	238,518	149,780
Debtor at reporting date	–	668,446
Creditor at reporting date	(443,976)	(24,946,827)
<b>Guardian Capital LLC (fellow subsidiary)</b>		
Expenses: recharged expenses	186,784	–
<b>GuardCap UCITS Funds plc (promotee and investment management client)</b>		
Income: fees earned	11,429,877	5,406,174
Payments: purchase of shares	11,481,242	–
Payments: fee rebates	284,817	196,564
Receipts: redemption of shares	30,919,820	4,681,784
Investment balance at reporting date	43,419,088	57,902,529
Debtor at reporting date	1,331,187	706,274

## Notes to the financial statements for the year ended 31 December 2020

### 16. Related party transactions (continued)

	2020 £	2019 £
<b>GuardCap Global Equity Fund (promotee and investment management client)</b>		
Income: fees earned less expenses	(26,638)	–
Payments: purchase of shares	2,744,659	–
Investment balance at reporting date	2,940,861	–
Creditor at reporting date	(26,242)	–

### Compensation of key management personnel

The compensation of key management personnel is disclosed as directors' emoluments in note 4.

### 17. Parent undertaking and controlling party

The Company's immediate parent undertaking is Guardian Capital LP, a limited partnership with its registered office in Canada. Guardian Capital LP is a wholly owned subsidiary of Guardian Capital Group Limited, a limited company with its registered office in Canada. The consolidated financial statements of Guardian Capital Group Limited are available to the public and may be obtained from [www.guardiancapital.com](http://www.guardiancapital.com).

### 18. Events after the balance sheet date

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

### 19. Transition from FRS 102 to FRS 101

The company transitioned from FRS 102 to FRS 101 at 1 January 2019.

### Reconciliation of profit and total comprehensive income for the year ended 31 December 2019

	Reported under FRS 102	Effect of transition £	Reported under FRS 101 £
Turnover	8,722,201		8,722,201
Administrative expenses	(7,071,604)	191,176	(6,880,428)
<b>Operating profit</b>	<b>1,650,597</b>	<b>191,176</b>	<b>1,841,773</b>
Gains on investments held at fair value through profit and loss	11,380,539		11,380,539
Interest payable	(533,121)	(11,939)	(545,060)
<b>Profit before tax</b>	<b>12,498,015</b>	<b>179,237</b>	<b>12,677,252</b>
Tax on profit	(2,347,001)	(34,055)	(2,381,056)
<b>Profit and total comprehensive income for the year</b>	<b>10,151,014</b>	<b>145,182</b>	<b>10,296,196</b>

## Notes to the financial statements for the year ended 31 December 2020

### 19. Transition from FRS 102 to FRS 101 (continued)

#### Reconciliation of equity

	31 December 2019			1 January 2019		
	Reported under FRS 102 £	Effect of transition £	Reported under FRS 101 £	Reported under FRS 102 £	Effect of transition £	Reported under FRS 101 £
<b>Fixed assets</b>						
Tangible fixed assets	48,905	120,095	169,000	68,740	272,617	341,357
Investments	57,902,529		57,902,529	51,203,774		51,203,774
	<u>57,951,434</u>	<u>120,095</u>	<u>58,071,529</u>	<u>51,272,514</u>	<u>272,617</u>	<u>51,545,131</u>
<b>Current assets</b>						
Debtors	2,675,170	108,772	2,783,942	1,755,713		1,755,713
Cash and cash equivalents	965,140		965,140	739,766		739,766
	<u>3,640,310</u>	<u>108,772</u>	<u>3,749,082</u>	<u>2,495,479</u>	<u>-</u>	<u>2,495,479</u>
<b>Current liabilities</b>						
Creditors: amounts falling due within one year	(32,670,428)	(79,165)	(32,749,593)	(34,997,691)	(198,732)	(35,196,423)
	<u>(29,030,118)</u>	<u>29,607</u>	<u>(29,000,511)</u>	<u>(32,502,212)</u>	<u>(198,732)</u>	<u>(32,700,944)</u>
<b>Net current liabilities</b>						
Creditors: amounts falling due after more than one year		(4,520)	(4,520)	-	(73,885)	(73,885)
<b>Total net assets</b>	<u>28,921,316</u>	<u>145,182</u>	<u>29,066,498</u>	<u>18,770,302</u>	<u>-</u>	<u>18,770,302</u>
<b>Capital and reserves</b>						
Share capital	12,191,145		12,191,145	12,191,145		12,191,145
Profit and loss account	16,730,171	145,182	16,875,353	6,579,157		6,579,157
	<u>28,921,316</u>	<u>145,182</u>	<u>29,066,498</u>	<u>18,770,302</u>	<u>-</u>	<u>18,770,302</u>

## 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 £38,485,000 (Last year - £29,066,000) 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:

	2020	2020	2019	2019
	Pillar 1	Pillar 2	Pillar 1	Pillar 2
	£000s	£000s	£000s	£000s
Credit Risk	4,078	4,078	4,810	4,810
Market Risk	3,964	3,964	4,757	4,757
Operational Risk	–	–	–	–
Fixed overhead requirement	1,306	1,306	1,097	1,097
Capital requirement	8,042	8,042	9,567	9,567

The above information does not form part of the audited statutory financial statements.