

**Registration Number: 05555055**

**FOUNDING ASSET MANAGEMENT LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31st DECEMBER 2018**

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## **Founding Asset Management Limited**

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**Founding Asset Management Limited**

**Directors**

C.S. Davis  
B.L. Jenner  
S.I. Davis

**Company Secretary**

Cornhill Secretaries Limited

**Company Number**

05555055

**Registered Office**

Vicarage House  
58-60 Kensington Church Street, London, W8 4DB

**Auditors**

BDO LLP  
Chartered Accountants  
150 Aldersgate Street, London, EC1A 4AB

**Bankers**

Coutts & Co  
440 Strand, London, WC2 0QS

UBS Financial Services Inc.  
3455 Peachtree Road NE  
Atlanta, GA 30326  
USA

## **Founding Asset Management Limited**

### **Strategic Report**

The company conducts investment management and investment advisory business, principally for private clients. In addition, there has been an increased focus on generating corporate finance income through the placement of investments in carefully analysed and selected small companies, with no underwriting by Founding Asset Management Limited. The company does not anticipate any change in the nature of its business over the medium-term.

### ***Review of the business***

The company is authorised by the Financial Conduct Authority. Assets under Management (AuM) are US\$29.7 million. Assets have remained at almost the same level (2017 - \$28.5 million).

Assets under Management have yet to reach a level where this core activity is self-sustaining; however, this is still a priority.

Profits were substantially lower this year as there was very little in the form of performance fees and our corporate finance fees were also significantly lower. We did, however, use our profits to make some bonus payments to the two directors and a pension contribution for the principal. After all costs, the pre-tax return on capital is de minimis; however, we anticipate that profitability for 2019 will return to previous years' levels.

### ***Description of principal risks for the company***

The directors are of the opinion that the primary risk for the business continues to be the ability to generate sufficient new Assets under Management and/or consultancy related to investment management to produce the desired level of returns over the medium-term.

Furthermore, the directors believe that financial key performance indicators are not necessary or appropriate for the current business. Rather our strategy and objectives continue to be to increase the AuM, increase the revenue stream and control costs such that we are at no time within 10% of the threshold of the firm's capital resources requirement as established under our Financial Conduct Authority authorisation.

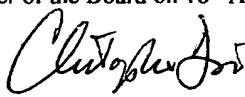
As regards financial instruments, the company does not undertake any hedging transactions as we hold no positions other than cash balances. Our cash flow is affected by our debtor and creditor positions. For the majority of our debtor positions, we have little exposure to non-payment as our agreements with the majority of clients allow us to claim payment directly from their investment accounts with third party banks. In those instances where we are dependent on the client to make the transfer/payment, our maximum length of receivable period is six months, but is almost always considerably less than this. If a client did not pay, we could immediately cease providing services and thereby limit our exposure. All expense invoices are approved by the appropriate person and payment is authorised by a director. Our standard payment time is 30 days unless payment terms are specifically shorter or are collected by direct debit.

The directors have considered the effect of Brexit and believe it will have no appreciable impact on our business.

### ***Comments on results for the year 2018***

For the year ended 31<sup>st</sup> December 2018, the company made profit after tax of £2,822 which compared to £203,672 for 2017. For comparative purposes, the total revenues for 2018 were £267,750 compared to £999,454 in 2017. This is a result of almost no performance fees and lower corporate finance income.

By Order of the Board on 10<sup>th</sup> April 2019

  
C.S DAVIS  
Director

## **Founding Asset Management Limited**

### **Report of the Directors**

The directors present their report and the audited financial statements for the year ended 31st December 2018.

#### ***Directors***

The directors who served during the year are as stated below:

C.S. Davis  
B.L. Jenner  
S.I. Davis

The review of business and the results for the period are noted in the Strategic Report.

No dividend was paid in the year (2017: £131,250).

#### ***Disclosure of information to auditors***

Each of the persons who are directors at the time when this report is approved has confirmed that:

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

#### ***Auditors***

On 1st February 2019 Moore Stephens LLP merged its practice with BDO LLP and so resigned as auditors with effect from that date. BDO LLP were appointed as auditors on 14th February 2019.

## **Founding Asset Management Limited**

### **Report of the Directors (Continued)**

#### ***Directors' Responsibilities Statement***

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board on 10<sup>th</sup> April 2019



C.S DAVIS

Director

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF FOUNDING ASSET MANAGEMENT LIMITED**

### **Opinion**

We have audited the financial statements of Founding Asset Management Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

**Responsibilities of Directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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



Simon Fowles (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor  
150 Aldersgate Street  
London  
EC1A 4AB

on: 10 April 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Founding Asset Management Limited**

**Statement of total comprehensive income  
for the year ended 31st December 2018**

	<u>Note</u>	<b>2018</b>	<b>2017</b>
		£	£
Turnover	2	267,750	999,454
Administrative expenses		(264,737)	(747,136)
<b>Operating Profit</b>	3	3,013	252,318
Interest receivable and similar income	5	1,094	681
<b>Profit on Ordinary Activities before Tax</b>		4,107	252,999
Tax on profit on ordinary activities	6	(1,285)	(49,327)
<b>Profit on Ordinary Activities after Tax</b>		2,822	203,672
<b>Total Comprehensive Income</b>		<u>2,822</u>	<u>203,672</u>

All activities are considered to be continuing.

The notes on pages 11 - 16 form part of these financial statements.

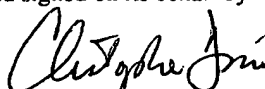
**Founding Asset Management Limited**

**Company Registration Number 05555055**

**Statement of financial position 31<sup>st</sup> December 2018**

	<u>Note</u>	<b>2018</b>		<b>2017</b>	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	7		628		2,011
<b>Current Assets</b>					
Debtors	9	81,990		79,690	
Cash in hand and at bank		454,948		726,118	
		<u>536,938</u>		<u>805,808</u>	
<b>Creditors: amounts falling due within one year</b>	11	(104,091)		(377,166)	
		<u></u>		<u></u>	
<b>Net Current Assets</b>		<u>432,847</u>		<u>428,642</u>	
<b>Total Assets less Current Liabilities</b>			<u>433,475</u>		<u>430,653</u>
<b>Net Assets</b>			<u>433,475</u>		<u>430,653</u>
<b>Capital and Reserves</b>					
Called up share capital	13	75,000		75,000	
Retained earnings		358,475		355,653	
		<u></u>		<u></u>	
<b>Total Capital and Reserves</b>		<u>433,475</u>		<u>430,653</u>	

The financial statements were approved by the Board on 10<sup>th</sup> April 2019  
and signed on its behalf by



C.S. Davis  
Director

The notes on pages 11 - 16 form part of these financial statements.

**Founding Asset Management Limited**

**Statement of changes in equity  
for the year ended 31st December 2018**

	Share capital	Retained earnings	Total
	£	£	£
Balance at the beginning of the period	75,000	355,653	430,653
Profit for the period	-	2,822	2,822
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,822</b>	<b>2,822</b>
<i>Balance at the end of the period</i>	<i>75,000</i>	<i>358,475</i>	<i>433,475</i>

**Statement of changes in equity  
for the year ended 31st December 2017**

	Share capital	Retained earnings	Total
	£	£	£
Balance at the beginning of the period	75,000	283,231	358,231
Profit for the period	-	203,672	203,672
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>203,672</b>	<b>203,672</b>
Transactions with owners – Dividends	-	(131,250)	(131,250)
Total transaction with owners recognised directly in equity	-	(131,250)	(131,250)
<i>Balance at the end of the period</i>	<i>75,000</i>	<i>355,653</i>	<i>430,653</i>

The notes on pages 11 - 16 form part of these financial statements.

**Founding Asset Management Limited**

**Statement of cash flows  
For the year ended 31st December 2018**

	<u>Note</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>
Cash generated from operating activities	16	(225,602)	430,792
Tax paid		<u>(49,327)</u>	<u>(17,275)</u>
<b>Net cash flow from operating activities</b>		<b>(274,929)</b>	<b>413,517</b>
Cash flows from investing activities:			
Interest received		<u>1,094</u>	<u>681</u>
<b>Net cash flow from investing activities</b>		<b>1,094</b>	<b>681</b>
Cash flow from financing activities:			
Dividends paid		-	(131,250)
<b>Net cash outflows from financing activities</b>		<b>-</b>	<b>(131,250)</b>
<b>Net cash (decrease)/increase in cash and cash equivalents</b>		<b>(273,835)</b>	<b>282,948</b>
Foreign exchange movement		2,665	(2,112)
Cash and cash equivalent at the beginning of the period		726,118	445,282
<b>Cash and cash equivalents at the end of the period</b>		<b><u>454,948</u></b>	<b><u>726,118</u></b>

*Note that there has been a restatement to the prior year, restating the foreign exchange movement on the cash balances of £15,372 and to foreign exchange movement within note 16.*

The notes on pages 11 - 16 form part of these financial statements.

## **Founding Asset Management Limited**

### **Financial Statements for the year ended 31st December 2018**

#### **Notes**

#### **1. Accounting Policies**

##### **(a) General Information**

Founding Asset Management Limited is a company limited by shares registered in England and Wales with company number 05555055. The registered office and principal place of business is Vicarage House, 58-60 Kensington Church Street, London, W8 4DB.

##### **(b) Accounting convention**

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and specifically in accordance with the Financial Reporting Standard 102 (FRS 102) as issued by the Financial Reporting Council, the historical cost convention and the Companies Act 2006.

##### ***Judgements in applying accounting policies and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Due to the simplicity of the company's transaction streams and year-end financial position, the directors consider there to be no critical judgements, estimates or assumptions in the preparation of these financial statements, with one exception of the judgement made on transactions not complete at the year end. See note 1 (c) below.

##### ***Financial instruments***

###### ***General***

Financial instruments are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below.

###### ***Classification***

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102. All of the company's financial instruments are classified as basic.

###### ***Subsequent measurement***

At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method.

## **Founding Asset Management Limited**

### **Financial Statements for the year ended 31st December 2018**

#### **Notes (Continued)**

##### ***Derecognition***

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

##### **(c) *Turnover***

Turnover comprises fee income (excluding value added tax) from the provision of professional advisory services, falling within the company's principal activities. Fees earned on the negotiating of finance or arranging a transaction for a third party are recognised within turnover on completion. For transactions not complete at the year end, judgement is exercised to assess when the transaction is 'substantially complete' and hence when it is appropriate to recognise within turnover.

##### **(d) *Tangible fixed assets and depreciation***

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	-	33% straight line
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##### **(e) *Foreign currencies***

The company's functional and presentational currency is pounds Sterling (GB£).

Monetary assets and liabilities, including debtors and creditors, denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the accounting reference date. Transactions in foreign currencies are recorded at the date of transactions. All differences are taken to profit or loss.

##### **(f) *Taxation***

Tax for the year is made up of both current and deferred. This is recognised in the Statement of Comprehensive Income for the current year, with the exception of charges attributable to items of income or expense deemed to be other comprehensive income or to an item which is directly recognised in equity.

Deferred tax is provided in full using the liability method on timing differences which result in an obligation at the reporting period and date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered against future taxable profit.

##### **(g) *Pension costs***

Pension contributions are made to the private pension scheme of the directors on a discretionary basis and are charged to profit or loss as incurred.

# **Founding Asset Management Limited**

## **Financial Statements for the year ended 31st December 2018**

### **Notes (Continued)**

#### **(h) Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

#### **2. Turnover**

The total turnover of the company for the year has been derived from the rendering of services wholly undertaken in the UK.

#### **3. Operating Profit**

Operating profit is stated after charging/(crediting):

	<u>2018</u> £	<u>2017</u> £
Depreciation	1,383	1,674
Auditors' remuneration:		
Audit fees	10,500	12,000
Tax fees	3,800	3,500
Compliance	16,992	10,932
Office licence fee	23,282	22,172
Foreign exchange (gain)/loss	(13,342)	17,484
	<u>                    </u>	<u>                    </u>

#### **4. Directors and Employees**

	<u>2018</u> £	<u>2017</u> <u>Restated</u> £
Directors' remuneration	145,636	533,136
Pension contributions	<u>10,000</u>	<u>10,000</u>
	<u>155,636</u>	<u>543,136</u>

Pension contributions are paid on behalf of one of the directors.

#### **Staff costs**

Wages and salaries	131,100	521,100
Social security costs	14,781	69,146
Pension costs	10,000	10,000
Benefits in kind	14,536	12,036
	<u>170,417</u>	<u>612,282</u>

There were two employees during the year (both directors) (2017: two) and there are no other key management personnel. The highest paid director earned a salary of £81,000 (2017: £436,000). Also note that the £10,000 pension liability was accrued and included in accruals in Note 11.

**Founding Asset Management Limited**

**Financial Statements for the year ended 31st December 2018**

**Notes (Continued)**

**5. Interest receivable and similar income**

	<u><b>2018</b></u> £	<u><b>2017</b></u> £
Bank interest receivable	1,094	681
	<u>1,094</u>	<u>681</u>

**6. Analysis of tax charge in period**

	<u><b>2018</b></u> £	<u><b>2017</b></u> £
<b>Current tax</b>		
UK corporation tax	1,391	49,327
Over provision in prior year	(106)	-
	<u>1,285</u>	<u>49,327</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017: higher) the standard rate of corporation tax in the UK of 19% (2017: 19%) as set out below:

	<u><b>2018</b></u> £	<u><b>2017</b></u> £
Profit on ordinary activities before tax	<u>4,107</u>	<u>252,999</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19%)	781	48,693
<b>Effects of:</b>		
Expenses not deductible for tax purposes	610	312
Capital allowances in excess of depreciation	-	322
Over provision in prior year	(106)	-
<b>Total tax charge for the year (see above)</b>	<u>1,285</u>	<u>49,327</u>

**Founding Asset Management Limited**

**Financial Statements for the year ended 31st December 2018**

**Notes (Continued)**

**7. Tangible Fixed Assets**

**Furniture, Fixtures and Equipment**

Cost	£
At 1st January 2018	10,022
Additions	-
	<hr/>
At 31st December 2018	10,022
	<hr/>
Depreciation	
At 1st January 2018	8,011
Charge for the year	1,383
	<hr/>
At 31st December 2018	9,394
	<hr/>
Net book value	
At 31st December 2018	628
	<hr/>
At 31st December 2017	2,011
	<hr/>

**8. Basic financial assets measured at amortised cost:**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	£	£
Cash	454,948	726,118
Trade debtors (note 9)	79,795	78,461
Directors' accounts (note 11)	48	-
	<hr/>	<hr/>
	534,791	804,579
	<hr/>	<hr/>

**9. Debtors**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	£	£
Trade debtors	79,795	78,461
Prepayments and accrued income	2,147	1,229
Directors' account (note 11)	48	-
	<hr/>	<hr/>
	81,990	79,690
	<hr/>	<hr/>

**10. Basic financial liabilities measured at amortised cost**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	£	£
Trade creditors (note 11)	3,795	8,468
Directors' accounts (note 11)	-	137
Accruals (note 11)	28,081	17,808
Net wages (note 11)	35,543	32,649
	<hr/>	<hr/>
	67,419	59,062
	<hr/>	<hr/>

# **Founding Asset Management Limited**

## **Financial Statements for the year ended 31st December 2018**

### **Notes (Continued)**

#### **11. Creditors**

	<u><b>2018</b></u>	<u><b>2017</b></u>
	£	£
Trade creditors	3,795	8,468
Corporation tax	1,391	49,433
Directors' accounts	-	137
Accruals and deferred income	28,081	17,808
Social security taxes	35,281	268,670
Net wages	35,543	32,649
	<u>104,091</u>	<u>377,165</u>

#### **12. Commitments**

Non-cancellable operating lease rentals are payable as follows:

	<u><b>2018</b></u>	<u><b>2017</b></u>
	£	£
Amount due in less than 1 year	4,890	4,650
	<u>4,890</u>	<u>4,650</u>

#### **13. Share Capital**

	<u><b>2018</b></u>	<u><b>2017</b></u>
	£	£
Allotted, called up and fully paid		
75,000 ordinary shares of £1 each	75,000	75,000
	<u>75,000</u>	<u>75,000</u>

#### **14. Controlling Interest**

The company was under the control of the C.S. Davis by way of his 100% shareholding.

#### **15. Related Party**

During the year, business expenses of £298 (2017: £947) were paid by Christopher Davis on behalf of the company. At the year end there is an amount of £48 due from (2017: £137 owed to) Christopher Davis.

#### **16. Cash Generated from Operations**

	<u><b>2018</b></u>	<u><b>2017</b></u>
	£	<u><b>Restated</b></u>
	£	£
Operating profit	3,013	252,318
Depreciation	1,383	1,674
(Increase) in debtors	(2,300)	(33,181)
(Decrease)/increase in creditors	(225,033)	207,869
Foreign exchange movement	(2,665)	2,112
	<u>(225,602)</u>	<u>430,792</u>

**PILLAR 3 DISCLOSURE  
FOR YEAR-ENDED 31<sup>ST</sup> DECEMBER 2018**

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('IFPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet those Pillar 3 obligations as well as our obligations under IFPRU.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

**Scope and application of the requirements**

**Founding Asset Management Limited** ("the Firm") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

**Founding Asset Management Limited, Vicarage House, 58-60 Kensington Church Street  
London W8 4DB, United Kingdom**

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Registered in England and Wales 5555055 Authorised and Regulated by the Financial Conduct Authority.



The Firm undertakes investment management and investment advisory business for primarily private individuals, although corporations may also be a target. The Firm's philosophy is based on advice specifically tailored to an individual client and with an emphasis on service.

The Firm is not a member of any group and so is not required to prepare consolidated reporting for prudential purposes

### **Risk management**

The Firm is governed by its directors ("Principals") who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals also determine how the risks our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Principals have identified that business and operational risks are the main areas of risk to which the Firm is exposed. Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate (through the ICAAP).

### **Regulatory capital**

The Firm is a Limited Liability Company and its capital arrangements are established in its Articles.

The main features of the Firm's capital resources as at 31<sup>st</sup> December 2018 (unaudited) for regulatory purposes are as follows:

<b>Capital item</b>	<b>£'000</b>
Tier 1 capital less innovative tier 1 capital	432
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	432

Our Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to

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the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk-based capital required.

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000 (GB£44,845 based on 3.12.18 exchange rate); or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement (FOR) of £52,966.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial. Historically, it is the Firm's experience that the base capital requirement of €50,000 establishes its capital requirements as this has exceeded its FOR. However, we have again been more aggressive this year with our net costs for wind down over three months and therefore, it exceeds the base capital requirement of €50,000 (£42,663). Additionally, market and credit risks are considered not to be material; however, our ICAAP does provide for some market and credit risk.

The unaudited capital resources as at 31<sup>st</sup> December 2018 were £431,695.