

# **Charlemagne Capital (UK) Limited**

## **Directors' report and financial statements**

**For the year ended 31 December 2010**

**Company number 3017258**



# Charlemagne Capital (UK) Limited

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# Charlemagne Capital (UK) Limited

## Company information

### **Directors**

Sir J Mellon  
N J Bradley  
J Mayo  
V Lotan  
J Bates  
V Kydonieffs  
G Sitanyı

### **Secretary**

R Taylor

**Resigned**  
5 February 2010

### **Auditors**

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

### **Solicitors**

Stephenson Harwood  
One, St Paul's Churchyard  
London  
EC4M 8SH

### **Registered office**

39 St James's Street  
London  
SW1A 1JD

# Charlemagne Capital (UK) Limited

## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

### Principal activity

The principal activity of the Company is that of the provision of investment advisory services

### Results

The profit before taxation for the year ended 31 December 2010 amounted to £810,085 (2009 £914,181)

### Dividend

The Company did not pay a dividend during the year (2009 £Nil)

### Events since the balance sheet date

There have been no significant events since the balance sheet date

### Directors and their interests

The Directors who served during the year and to date are shown on page 1

At 31 December 2010 the Directors have no interest in the share capital of the Company (2009 None)

The Directors and their interests in the share capital of the parent company were as follows

#### *Charlemagne Capital Limited*

	<b>Personal interest</b>	<b>Other interest</b>	<b>Total Interest</b>
<i>31 December 2010</i>			
Sir J Mellon	135,965	-	135,965
V Lotan	1,731,290	182,926	1,914,216
J Bates	25,000	-	25,000
<i>31 December 2009</i>			
Sir J Mellon	135,965	-	135,965
V Lotan	1,731,290	182,926	1,914,216
J Bates	25,000	-	25,000

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

# Charlemagne Capital (UK) Limited

## Directors' report (continued)

### Business review

Markets provided positive investment growth over the year building on the recovery in the latter part of 2009. The upward trend was not consistent throughout the entire period with a volatile second quarter causing an overall decline in asset values at half year. However, growth in the second six months was strong and we ended the year in a healthy net gains position, with Assets under Management (AuM) higher than at the beginning of the year.

However, pre-tax profits have decreased to £0.8 million from last year's figure of £0.9m, with a 34% increase in income being offset by a 38% increase in costs.

Advisory fee income increased during the year due to the rise in the average level of assets managed and the growth in institutional business as a proportion of total AuM. Fees generated in both the first and second half of the year were above 2009 levels. The business also benefited from increased performance fees of £2.0 million in 2010 compared with the £1.3 million earned in 2009. Marketing income, which is linked to the assets values of the funds we actively market, has also increased to £1.6 million (2009: £1.4 million).

Operating costs have risen to £11.1 million (2009: £8.0 million) which predominately reflects the increase in the staff costs due to the additional headcount and a significant increase in performance awards over the year. Share option costs have also risen due to the movement in share price of the parent company over the year.

The Company did not declare or pay a dividend during the year (2009: £Nil).

Our basic strategy remains to focus on our core emerging markets expertise. We have an optimistic view on equity valuations due to the potential superior economic and corporate growth within these markets. We will also continue to invest further in our internal capabilities whilst operating as cost effectively as possible. We continue to foster an environment which will encourage the retention of our talented individuals and enable the recruitment of additional expertise where necessary.

Once again I thank the staff of Charlemagne Capital (UK) Limited for their efforts. The market environment this year has been a difficult time for active fund management but through their hard work and skill we have shown that we can meet the ongoing challenges involved in providing the best service possible whilst expanding our operations to build for the future.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit LLC will therefore continue in office. A resolution proposing reappointment will be put to the Annual General Meeting.

On behalf of the Board



**Jane Bates**  
Director

# Charlemagne Capital (UK) Limited

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

The Directors are responsible for preparing 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 financial statements in accordance with UK 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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 to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **Report of the Independent Auditors, KPMG Audit LLC, to the members of Charlemagne Capital (UK) Limited**

We have audited the financial statements of Charlemagne Capital (UK) Limited for the year ended 31 December 2010 on pages 8 and 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### *Respective responsibilities of Directors and Auditors*

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

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

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### *Opinion*

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

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

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



**Report of the Independent Auditors, KPMG Audit LLC, to the members of Charlemagne Capital (UK) Limited (continued)**

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

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

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

28 March 2011

**M R Kelly Director**  
**for and on behalf of KPMG Audit LLC, Statutory Auditor**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

# Charlemagne Capital (UK) Limited

## Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	11,811,656	8,814,435
Operating costs		(11,094,485)	(8,025,751)
Other operating income		22,530	17,847
<b>Operating profit</b>	3	<b>739,701</b>	<b>806,531</b>
Interest receivable and similar income		70,384	107,650
<b>Profit on ordinary activities before taxation</b>		<b>810,085</b>	<b>914,181</b>
Tax on profit on ordinary activities	6	(243,200)	(268,688)
<b>Profit on ordinary activities after taxation</b>		<b>566,885</b>	<b>645,493</b>

All activities are considered to be continuing

In both the current and preceding financial years, there were no recognised gains or losses other than those dealt with in the profit and loss account

The notes on pages 9 to 14 form part of these financial statements

# Charlemagne Capital (UK) Limited


## Balance sheet

as at 31 December 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Fixed assets	7	88,017	162,649
<b>Current assets</b>			
Deferred tax	6	5,710	6,998
Debtors	8	3,206,097	1,982,797
Cash at bank and in hand		3,643,678	1,369,520
		<u>6,855,485</u>	<u>3,359,315</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,208,009)</u>	<u>(353,356)</u>
<b>Net current assets</b>		<u>3,647,476</u>	<u>3,005,959</u>
<b>Total assets less current liabilities</b>		<u>3,735,493</u>	<u>3,168,608</u>
<b>Capital and reserves</b>			
Called up share capital	11,12	100	100
Share premium account	12	999,900	999,900
Profit and loss account	12	2,735,493	2,168,608
<b>Equity shareholder's funds</b>		<u>3,735,493</u>	<u>3,168,608</u>

The notes on pages 9 to 14 form part of the financial statements

These financial statements were approved by the Board of Directors on 22 MARCH 2011 and were signed on their behalf by



**Jane Bates**  
Director

# Charlemagne Capital (UK) Limited

## Notes

(forming part of the financial statements for the year ended 31 December 2010)

### 1 Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company is a going concern.

#### *Turnover*

Turnover comprises investment management fees and advisory fees, and marketing support fees (see note 2). All fees are on an accruals basis.

#### *Depreciation*

Tangible fixed assets are written off on a straight line basis over their estimated useful lives as follows:

Leasehold property	over the lease term
Computer	3 years
Office equipment	4 years
Office furniture	5 years

#### *Foreign currencies*

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes. From time to time the Company receives inquiries from revenue authorities into its taxation affairs, as is common for entities operating international transfer pricing policies. It is the policy of the Company to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

#### *Comparative Figures*

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

#### *Employee benefits*

The Company incurs staff costs in respect of employees seconded to it by Charlemagne Capital (Services) Limited ("CCS"), the global employment company for the Charlemagne Group. The secondment charge includes amounts in respect of salary, bonus awards, national insurance payments, and contributions to employee benefit trusts.

In common with other groups which have initiated employee benefit trusts, from time to time entities within the Charlemagne Group may receive inquiries from revenue authorities regarding taxation aspects. It is the policy of the Company to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

# Charlemagne Capital (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2010)

### 2 Turnover

Turnover, which is stated net of value added tax, represents the value of services relating to the management of investment funds

	2010 £	2009 £
Advisory fees	10,203,751	7,395,999
Marketing support fees	1,606,796	1,418,358
Other	1,109	78
	<u>11,811,656</u>	<u>8,814,435</u>

### 3 Operating profit

Operating profit is stated after charging

	2010 £	2009 £
Foreign exchange loss/(gain)	(4,803)	317,204
Interest payable and similar charges	10,942	12,744
Rent payable	369,325	367,536
Staff costs (note 5)	8,690,378	5,436,641
Depreciation (note 7)	104,954	113,079
Auditors' remuneration - audit services	18,795	15,531
- non audit services	556	9,824
	<u></u>	<u></u>

### 4 Directors' remuneration

	2010 £	2009 £
Salaries	676,412	487,723
Performance related bonuses	615,645	255,885
Pension contributions	30,000	26,124
	<u>1,322,057</u>	<u>769,732</u>

Amount paid to third parties in respect of Directors' services

	<u>10,000</u>	<u>10,000</u>
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The highest paid Director had emoluments of £367,724 (2009 £264,425)

The Directors of Charlemagne Capital (Services) Limited have recommended to the Trustee of the EBT that the sum of £324,710 (2009 £497,241) be appointed to discretionary revocable sub-trusts of which certain Directors of the Company may be potential beneficiaries. However no amount has been included in Directors' emoluments since the amounts have not been allocated to any Director or employee with any certainty.

# Charlemagne Capital (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2010)

### 5 Staff costs

	2010 £	2009 £
Employee remuneration	7,820,193	4,617,614
Social security costs	870,185	819,027
	<u>8,690,378</u>	<u>5,436,641</u>
The average number of employees during the year was	<u>36</u>	<u>33</u>

The Company participates (via Charlemagne Capital (Services) Limited) in a discretionary bonus scheme, as approved by the Board, operated by Charlemagne Capital Group which is based on the Group's profit before taxation. Bonuses are accounted for in the financial year in which the bonus is earned.

In the year ended 31 December 2005 Charlemagne Capital (Services) Limited set up an employee benefit trust, the Charlemagne 2005 Employee Benefit Trust ("EBT"). Contributions paid, or to be paid, into the EBT in respect of staff seconded to the Company relating to the year were £388,643 (2009 £904,252). These contributions have been expensed through staff costs as part of the secondment charge.

Under UK tax legislation, certain UK income tax and social security obligations may be imposed on the Company in relation to these arrangements. The EBT arrangements provide that the Trustee must retain sufficient sums to allow such liabilities to be met. In December 2010 the UK Treasury published draft legislation that further impacts upon EBT arrangements. Based upon advice received, the Board remains of the view that no liabilities to the Company exist in relation to these EBT arrangements. However the Board will continue to monitor the position in the light of the draft legislation and the UK Tax Authorities' actions in relation to similar structures.

### 6 Taxation

(a) The Company's charge for taxation is made up as follows

	2010 £	2009 £
United Kingdom Corporation tax at 28% (2009 28% and 30% on profits for the year, respectively)	241,912	272,882
Movement in deferred tax	1,288	6,531
Over provision in respect of previous years	-	(10,725)
	<u>243,200</u>	<u>268,688</u>

#### Deferred tax

The deferred taxation asset amounts to £5,710 (2009 £6,998)

# Charlemagne Capital (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2010)

### 6 Taxation (continued)

#### (b) Factors affecting tax charge for the period

The differences between the domestic and actual rate of tax are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<b>810,085</b>	914,181
Profit on ordinary activities multiplied by the standard rate of United Kingdom Corporation tax (28%) (2009 28% and 30%)	<b>226,824</b>	255,971
<i>Effects of</i>		
Movement in deferred tax	<b>1,288</b>	6,531
Depreciation in excess of Capital Allowances	<b>14,635</b>	16,911
Other disallowed expenditure	<b>453</b>	-
Over provision in respect of previous years	-	(10,725)
Current tax charge for the year	<b>243,200</b>	268,688

### 7 Tangible fixed assets

	Leasehold property £	Computer £	Office equipment £	Furniture £	Total £
<i>Cost</i>					
As at 1 January 2010	265,070	131,835	31,836	94,370	523,111
Additions	-	25,730	-	4,592	30,322
Fully depreciated not in use	-	(1,269)	-	-	(1,269)
<b>As at 31 December 2010</b>	<b>265,070</b>	<b>156,296</b>	<b>31,836</b>	<b>98,962</b>	<b>552,164</b>
<i>Depreciation</i>					
As at 1 January 2010	181,911	104,241	17,633	56,677	360,462
Provided during the year	62,369	20,387	5,981	16,217	104,954
Fully depreciated not in use	-	(1,269)	-	-	(1,269)
<b>As at 31 December 2010</b>	<b>244,280</b>	<b>123,359</b>	<b>23,614</b>	<b>72,894</b>	<b>464,147</b>
<i>Net book value</i>					
<b>As at 31 December 2010</b>	<b>20,790</b>	<b>32,937</b>	<b>8,222</b>	<b>26,068</b>	<b>88,017</b>
As at 31 December 2009	83,159	27,594	14,203	37,693	162,649

# Charlemagne Capital (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2010)

### 8 Debtors

	2010 £	2009 £
Other debtors	362,787	287,839
Prepayments and accrued income	256,288	257,216
Amounts owed by parent and fellow subsidiary undertakings	2,587,022	1,437,742
	<u>3,206,097</u>	<u>1,982,797</u>

The amounts owed by the parent company and fellow subsidiary undertakings are unsecured, bear interest at commercial rates and are repayable on demand

### 9 Creditors: amounts falling due within one year

	2010 £	2009 £
Corporation tax payable	63,794	160,882
Other taxes and social security costs	175,539	139,851
Other creditors	67,384	52,623
Amounts owed to fellow subsidiary undertakings	2,901,292	-
	<u>3,208,009</u>	<u>353,356</u>

### 10 Commitments

Annual operating lease commitments are as follows

	2010 £	2009 £
Property, expiring within 2-5 years	<u>277,150</u>	<u>301,373</u>

### 11 Share capital

	2010 £	2009 £
<i>Authorised</i>		
100,000 ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>
	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
10,000 Ordinary shares of £0.01 each	<u>100</u>	<u>100</u>

# Charlemagne Capital (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2010)

### 12 Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 31 December 2009	100	999,900	2,168,608	3,168,608
Retained profit for the year	-	-	566,885	566,885
<b>At 31 December 2010</b>	<b>100</b>	<b>999,900</b>	<b>2,735,493</b>	<b>3,735,493</b>

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 31 December 2008	100	999,900	1,523,115	2,523,115
Retained profit for the year	-	-	645,493	645,493
At 31 December 2009	100	999,900	2,168,608	3,168,608

### 13 Statement of cash flow

Under FRS 1 "Cash flow statements" (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

### 14 Related parties

At 31 December 2010 the Company was controlled by Charlemagne Capital Limited and is exempt from disclosing transactions with it and other group undertakings under Financial Reporting Standard 8 "Related party disclosures" as it is a wholly owned subsidiary undertaking included within the consolidated financial statements of Charlemagne Capital Limited which are publically available

### 15 Parent and ultimate holding company

The parent and ultimate holding company is Charlemagne Capital Limited. The smallest and largest group in which the results of the Company are consolidated is Charlemagne Capital Limited. Copies of the group financial statements of Charlemagne Capital Limited are available from Charlemagne Capital Limited, St Mary's Court, 20 Hill Street, Douglas, Isle of Man

# Charlemagne Capital (UK) Limited

## Capital Requirements Directive

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 Companies must maintain. In the United Kingdom, the Directive has been implemented by the Financial Services Authority ('FSA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Companies ('BIPRU').

The FSA framework consists of three 'Pillars'

- Pillar 1 sets out the minimum capital amount that meets the Company's credit, market and operational risk,
- Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FSA, 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 report is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely 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

Charlemagne Capital (UK) Limited ("the Company") is authorised and regulated by the Financial Services Authority and as such is subject to minimum regulatory capital requirements.

The Company is categorised as a limited licence company by the FSA for capital purposes and as such has no trading book exposures.

The Company is a member of a group. We foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

# Charlemagne Capital (UK) Limited

## Capital Requirements Directive (continued)

### Risk management

The Company is governed by its Directors and its Senior Managers (“Principals”) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Company’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 risk 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 Company’s risks business through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA 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, operational, market and credit risks are the main areas of risk to which the Company 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.

### Regulatory capital

The Company is a Limited Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

	£’000
Share Premium	1,000
Audit reserves	2,168
Current Year Profit	567
Less Dividend	-
Total capital resources per accounts	3,735

The main features of the Company’s capital resources for regulatory purposes are as follows:

Capital item	£’000
Tier 1 capital less innovative tier 1 capital	3,735
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	3,735

# Charlemagne Capital (UK) Limited

## Capital Requirements Directive (continued)

Our Company 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 advisory and marketing fees receivable from other entities within the Group. The Company follows the standardised approach to market risk and the simplified standard approach to credit risk. The Company is subject to 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 Company is a limited licence company and as such its capital requirements are the greater of

- Its base capital requirement of €50,000, or
- The sum of its market and credit risk requirements, or
- Its Fixed Overhead Requirement

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is the Company's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material.