

## **MIFIDPRU 8 DISCLOSURE**

### **INTRODUCTION**

This disclosure is in relation to Arlington Group Asset Management Limited (“AGAM”, “the Firm”). AGAM is a privately owned limited company, incorporated in the United Kingdom (“UK”), authorized and regulated by the Financial Conduct Authority (“FCA”) under firm reference number 172337.

AGAM provides financial advisory and fundraising services to listed companies predominately in the mining sector.

This document sets out the public disclosure under MIFIDPRU 8 for AGAM as of 31<sup>st</sup> December 2022, which represents the end of AGAM’s most recent financial accounting period.

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), AGAM is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook.

AGAM is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR’s firm categorisation, AGAM is categorised as a non-small, non- interconnected (“non-SNI”) MIFIDPRU investment firm.

The disclosure for AGAM is prepared annually on a solo entity (i.e. individual) basis. We believe the information provided is proportionate to AGAM’s size and organisation, and to the nature, scope and complexity of AGAM’s activities.

The annual audited accounts of AGAM set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This disclosure has been ratified and approved for disclosure by the Managing Board of AGAM.

## GOVERNANCE

AGAM is operated by the Board of directors

Managing Board Director	Position	Other directorships
Charles Cannon Brookes	Director	Capital Step Investments Ltd. Capital Step Funding 2 Ltd. Capital Step Funding Ltd. Capital Step Holdings Ltd. Arlington Group Asset Management (Guernsey) Ltd. Duke Royalty UK Ltd. Duke Royalty Limited Radix Capital Limited Heatherway Property Ltd. Step Investments Limited BPVA (Ireland) Limited First Tin plc City Colleges Education Ltd. Slake Topco Limited Intec Business Holdings Ltd.
Simon Catt	Director	

The members of the Board are all FCA approved Senior Managers. Their suitability, experience, knowledge and skills are assessed at least annually where they are reconsidered as fit, proper and competent to fulfil their roles.

The Board is responsible for culture, philosophy, strategy and policy setting, risk strategy, conflicts of interest management and for all corporate management.

Due to the simple nature of AGAM's business, this governance framework is considered sufficient. The Board holds formal quarterly board meetings which have a standardised agenda and are minuted. In addition, the Board meets as and when needed to make any decisions required for the running of AGAM.

Board meetings have standardised agendas covering-

- Pipeline of existing and predicted transactions
- Personnel & infrastructure update

- Financial position
- Business risks
- Compliance
- AOB including ad hoc items

There is no separate Risk Committee as this is not considered necessary within the Firm. However, AGAM has a dedicated Risk & Reporting Officer, segregated from the board, whose role is to report risk data to the Board for their consideration and action as they see fit.

The Firm has in place a Senior Management Arrangements Systems & Controls (“SYSC”) roles and responsibilities matrix that identifies all key areas of AGAM’s business and operations. The matrix highlights those individuals responsible for each key area. This matrix is reviewed and ratified at least annually by the Board. It evidences clear segregation of duties and redundancy arrangements withing the Firm.

The Board is acutely aware of its responsibilities in relation to Environmental Social & Governance (“ESG”) matters. Part of these responsibilities include managing and monitoring the Firm’s Diversity & Inclusion Policies & Procedures. AGAM recognises the importance and value of having a workforce that is representative of all sections of society. AGAM wants its workforce to feel valued and respected and to be able to voice their opinions at all times.

Over the last few years AGAM has been discussing its diversity, equality and inclusion strategy and to consider increasing its gender balance across the organisation and to, where possible increase the number of female staff. At the time of writing, AGAM has determined that due to the simple ownership structure of AGAM, the small size and stability of the Board means that it does not seem appropriate or necessary to set diversity targets for the Board; rather, AGAM continues to set higher level aspirations at a Firm and board level.

AGAM publishes its ESG values internally for all staff and the Board reports on these values on a regular basis. These values include investors and companies and are at the heart of ensuring AGAM does the very best job it can for its clients.

## OWN FUNDS

Table 1 shows a break-down of AGAM's regulatory Own Funds and confirms there are no regulatory deductions.

Our Own Funds is made up entirely of shareholders' capital contributions and audited reserves.

<b>Table 1. Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	<b>5,733</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>5,733</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>5,733</b>	
4	Fully paid-up capital instruments	54	Members' capital
5	Share premium	33	
6	Retained earnings	5,572	Audited reserves
7	Accumulated other comprehensive income		
8	Other reserves	74	
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments		
20	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	<b>TIER 2 CAPITAL</b>	<b>0</b>	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Table 2 shows a reconciliation of AGAM's regulatory Own Funds with its balance sheet from the audited accounts.

<b>Table 2. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>			
		a	c
		<b>Balance sheet as in published/audited financial statements</b>	<b>Cross-reference to template OF1</b>
		<b>As at period end</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Investments	5,575,991	
2	Debtors	184,489	
3	Cash	189,734	
4	Fixed Assets	2,970	
	<b>Total Assets</b>	<b>5,953,184</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Creditors (due within 1 year)	140,239	
2	Long Term Liabilities	80,070	
	<b>Total Liabilities</b>	<b>220,309</b>	
<b>Shareholders' Equity</b>			
1	Share capital	54,180	
2	Audited Reserves	107,115	
3	Retained profit	5,571,583	
	<b>Total Shareholders' equity</b>	<b>5,732,875</b>	

## **OWN FUNDS REQUIREMENT**

AGAM's Own Funds Requirements are determined as the highest of the following three requirements under MIFIDPRU 4.3.2 R:

1. Permanent Minimum Capital Requirement (PMR) – £75,000 (MIFIDPRU 4.4.4R)
2. Fixed Overheads Requirement (FOR) – £221,238 being one quarter of the Company's annual fixed overheads (MIFIDPRU 4.5.1.R), unless there is a material change expected to projected expenses during the year (MIFIDPRU 4.5.7R)
3. Additional Own Funds – Orderly Wind Down (Wind-down Capital Requirement) – £391,868 being the level of own funds that it would need in order to effectively wind down the Firm in an orderly manner (MIFIDPRU 7.5.7R)

AGAM's Own Funds Requirements are therefore determined by the wind-down costs i.e. £391,868, which is the highest of these three.

The Company utilises a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU 7.4.7R, both in terms of own funds and liquidity resources.

Foremost is the annual assessment of own funds and liquidity adequacy conducted during the Internal Capital Adequacy and Risk Assessment ("ICARA") process, which considers the Company's resource requirements under 'business as usual' and a variety of severe yet plausible stress tests.

In the case of our Own Funds, these requirements are forecast over a three-year time horizon and test the key sensitivities of the Company's business which, in essence, is a severe drop in revenues caused by a drop in revenue. The Company then ensures that its current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Included within the ICARA is also an assessment of the capital required to effect an orderly wind down of the business. This figure is compared to the Firm's Own Funds requirement as detailed above. As at the time of writing AGAM's OFR is greater than its wind-down capital requirement.

The wind-down plan ensures there is a process of ceasing operation while ensuring minimal impact to clients. Once all remaining fund-raising mandates are completed and all Financial Advisory mandates are wound up then AGAM will no longer be conducting any investment



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business and can seek resignation from the FCA. AGAM's formal wind-up will therefore technically occur outside FCA requirements.