

MIFIDPRU 8 DISCLOSURE REQUIREMENT

Chelverton Asset Management ("CAM") is required by the Financial Conduct Authority ("FCA") to disclose information relating to the capital it holds, governance arrangements and risk it faces to assist users of its accounts and to encourage market discipline.

Frequency of disclosure: Unless otherwise stated, all figures are as of 31 March 2023, the Company's financial year end. MIFIDPRU 8 disclosures are published annually concurrently with the Annual Report and is published on the firm's website annually as soon as reasonably practicable after the Accounts are audited.

Own Funds held Under MIFIDPRU; CAM is required to disclose:

1. a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied to calculate the Own Funds of the firm – see Table 1 below;
2. a reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the firm – see Table 2; and

a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm – The company has one class of Ordinary shares which carry no right to fixed income. CAM prepared its ICARA in December 2023, and as such there are no significant updates to CAM's previous disclosures under MIFIDPRU 8.

Own Funds regulatory requirement:

The level of regulatory capital that must be held to absorb losses is the 'Own Funds Threshold' requirements. CAM must hold Own Funds in sufficient quantity and quality in accordance with MIFIDPRU. The 'Own Funds' requirement is the higher of the following three items:

1. Permanent Minimum Capital – this is defined by the regulation and is £75,000 for CAM;
2. Fixed Overhead Requirement – this is equal to a quarter of CAM's overheads – this level is £1,408K;
3. 'K' factors total is £389k.

Therefore the Own Funds requirement is £1,408K.

In accordance with MIFIDPRU 7.4.7 the Company has identified through its risk assessment process that additional funds of £424K should be held to address potential material harms from ongoing activities.

This has resulted in an overall financial adequacy rule as £1,408K which is CAM's Own Funds Threshold level.

Additionally, the rules to determine the level of the Own Funds Threshold require that additional amounts need to be held in the event they are required to support an orderly wind down. The capital required for an orderly wind-down is £848K.

Therefore, the overall fund requirement of CAM is the highest of:

- PMR
- Fixed Overhead Requirement
- Capital required for an orderly wind-down

Therefore the OFTR should be £1,408K.

Meeting the Overall financial adequacy rule

CAM must always meet the 'overall financial adequacy rule'. This rule states that CAM must, at all times, hold Own Funds and liquid assets which are adequate, both in their amount and quality, to make sure CAM is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities. In addition, CAM must ensure that it has adequate own funds and liquid assets that its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants. CAM meets this requirement through regular monitoring of:

- Own Funds held by CAM compared with the Own Funds Thresholds calculated according to MIFIDPRU; and
- Liquid assets held by CAM compared with the Liquid Assets Thresholds calculated according to MIFIDPRU.

However, based on this yearly snapshot, we can see that the Own Funds level of £12,866K is significantly in excess of the £1,408K Own Funds Threshold level.

	£'000
Total Tier 1 Capital	12,866
Own Funds Threshold Requirement (OFTR)	1,408
Surplus Capital over OFTR	<u>11,458</u>
Percentage coverage	<u>914%</u>

2 Governance arrangements

The following is the current make-up of the Board:

- Timothy Saunders, Non-Executive Chairman, SMF 9
- Al Rae, CEO and Director SMF1 and SMF 3
- David Horner, Director, SMF 3
- David Taylor, Director, SMF 3
- Vivien Langford, SMF 3
- NB. The SMF 16 / 17, Ben Weiner, is not a member of the Board, but attends all board meetings and reports to the Board at those meetings.

The Compliance Team is independent from the operations of the business and is therefore separate from the Investment Function, in accordance with ESMA guidance.

The Board attends quarterly board meetings, chaired by the Non-Executive Chairman. At these meetings, the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

Details of directorship of members of the management body

Details of directorships are held on the website with Director Bios.

Diversity on the Management Body

20% of the Board are cis gendered white female. 80% are cis-gendered white male.

Remuneration Disclosures

Qualitative Disclosures:

All staff are subject to the same remuneration approach. The Board of CAM determines the Remuneration Policy. The Board sets and agrees the Remuneration Policy of CAM; reviews take place on an annual basis.

Any performance related remuneration is given to reward individuals for their contribution towards the firm’s financial and strategic objectives. Any award is subject to the profits of CAM and is agreed by the Board. The Board may consider amongst other things, the short- and long-term financial position of CAM along with other appropriate risk assessments before reaching a decision.

All staff are eligible to receive such rewards apart from those under a contract for services subject to contract associated with external third parties.

There are only three components of remuneration – fixed salary per the employment contract, pension payments (where applicable) and a discretionary, risk adjusted bonus, where applicable based upon the financial results of the firm, and the performance of the employee in assisting the firm reach its financial and strategic objectives.

Quantitative disclosures:

	Number of Staff	Fixed £'000	Variable £'000	Total £'000
2022	2	930	620	1550
2023	5	1,925	2,018	3,943

Risk Committee

- The firm has a Risk Committee – No
- Required by MIFIDPRU 7.3.1R to establish a risk committee – No
- Refer to the above, if the answer is Yes, whether the requirement is removed as a result of a waiver or modification granted by the FCA – NA

Own Funds

As set out below the following represents the firm’s own funds, which are represented primarily Ordinary Issued Share Capital, fully paid, the Share Premium in such issued share capital and Retained Profit and Loss bought forward

Table 1:

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	Own Funds	12,866	
2	Tier 1 Capital	12,866	
3	Common Equity Tier 1 Capital	12,866	
4	Fully Paid-Up Capital Instruments	86	Called up share capital
5	Share Premium	539	Note 16
6	Retained Earnings	12,241	Statement of Change in Equity- Balance as of 1 April 2023
7	Accumulated Other Comprehensive Income	-	

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
8	Other Reserves	-	
9	Adjustments to CET1 Due to Prudential Filters	-	Loss for the year per Statement of Comprehensive Income
10	Other Funds		
11	(-) Total Deductions From Common Equity Tier 1	-	
12	CET1: Other Capital Elements, Deductions And Adjustments		
13	Additional Tier 1 Capital	-	
14	Fully Paid Up, Directly Issued Capital Instruments		
15	Share Premium		
16	(-) Total Deductions From Additional Tier 1		
17	Additional Tier 1: Other Capital Elements, Deductions And Adjustments		
18	Tier 2 Capital	-	
19	Fully paid up, directly issued capital instruments		
20	Share premium		
21	(-) TOTAL DEDUCTIONS FROM TIER 2		

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
22	Tier 2: Other capital elements, deductions and adjustments		

The following sets out a reconciliation of our Balance Sheet to the Own Funds noted above:

Table 2:

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		A	B	C
		Balance Sheet as in published/ audited financial statements	Under regulatory Scope of Consolidation	Cross- reference to Composition of Own Funds
1	Tangible Assets	207		
1	Trade Debtors	-		
2	Debtors	9,266		
3	Called up Share Capital Unpaid	-		
4	Cash at Bank and in Hand	7,863		
	Total Assets	17,336		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		A	B	C
Liabilities- Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade Creditors	4,260		
2	Other Taxes and Social Security	-		
3	Accruals and Deferred Income	210		
	Total Liabilities	4,470		
Shareholders' Equity				
1	Called up Share Capital	86		Item 4
2	Share Premium Account	539		Item 5
3	Profit and Loss Account	12,241		Item 6
	Total Shareholders' equity	12,866		

The following sets out our Own Funds Requirement

Capital Requirements:	Per Regulatory Minimum Standards		ICARA review	Capital Resource for Comparative
		£'000	£'000	£'000
				OFTR
1. PMR		75		75

Capital Requirements:	Per Regulatory Minimum Standards		ICARA review	Capital Resource for Comparative
		£'000	£'000	£'000
				OFTR
2. Fixed Overhead Requirement		1,408		1,408
3. Risk to Client	K-AUM	389	0	389
	K-CMH	0		
	K-ASA	0		
	K-COH	0		
4. Risk to Market	K-DTF	0	0	0.0
	K-NPR	0		
	K-CMG	0		
	K-TCD	0		
	K-CON	0		

Overall Financial Adequacy

The firm has considered the Own Fund Requirements and Own Funds by carrying out a detailed assessment of its Risks and Harms and ensuring that it has sufficient Own Funds to remain financially viable throughout the economic cycle, with the ability to address any material potential harms identified. This is achieved by challenge by Senior Management of its base case, economic stress test and an assessment of both its on-going Own Funds and its Risk and Harms requirements. In addition the firm modelled a realistic scenario representing the order and nature of a wind-down to ensure that it could manage it in an orderly manner. Key steps in the wind-down process were identified and documented.