AMR
FINANCIAL MANAGEMENT

INTERNAL CAPITAL ADEQUACY & RISK ASSESSMENT (ICARA)

1.Business Model

AMR's business model is to provide tailored financial planning and investment management to private individuals, trustees, small companies and charities. Although in reality, the bulk of our clients are private individuals.

The intention is to provide bespoke advice to each client, taking a holistic view of the client's overall needs and risk appetite.

The business model allows for investments into mainly low to medium risk investments with predominately vanilla funds. However, investments into higher risk funds and vehicles are considered but only within the parameters of what AMR considers an acceptable risk. i.e. there are certain investments that AMR would not consider under any circumstances and should a client wish to partake in such an investment, AMR would not be prepared to either provide advice or facilitate that investment.

AMR's financial model is to retain a sufficient amount of monies within our three offered investment portfolios (Investment Management Service, Discretionary Portfolio Management Service and Advisory Management Service) to maintain a steady income stream without large year on year fluctuations. That is, to maintain an income of between £1.3m and £1.8m. This allows for the forward planning of meeting regulatory, administrative and staff costs with the ability to maintain assets in reserve to meet unexpected expenses.

There is no plan to expand the firm from its current status and it will continue to be a small investment firm with the added permission of discretionary fund management.

2. Firm's Activities

AMR is a small investment firm with discretionary management permission. The main business is:

- providing advice on investments and pensions in mainly vanilla funds
- discretionary portfolio management in portfolios made up of a combination of Blue Chip (FTSE 100) shares, unit trusts and OEICS
- The management of six risk rated unit trust portfolios which are offered on a delegated switching basis

3.How is AMR's ICARA process fit for purpose?

AMR believes its ICARA process is fit for purpose as it has always maintained in excess of the base capital adequacy requirement and has good capital reserves. The business has continued to run on a very similar basis over the last few years (i.e. no large expansion) which has allowed it to maintain a steady income and increase its reserves.
Because of this, AMR does not believe it needs to radically alter its ICARA process, but as a precaution it will review its Fixed Overhead Requirements to ensure compliance with the updated rules.

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4. Identification of Material Harm

AMR believes that any material harm caused by its failure would be minimal to both clients and the market as AMR does not hold client monies and investments are either held by the client via a product provider or in a nominee account via Stocktrade. However, AMR has considered the following within its ICARA process:

Material loss to the firm where events may affect the viability of AMR's business and in turn may affect AMR's ability to meet its obligations to clients or counterparties and may increase the risk of an orderly wind-down e.g.

- Severe and prolonged stock market falls that lead to a 50% reduction in fee income
- Any exceptional item that leads to a loss of £200,000 at short notice
- A combination of the above two points
- Mass complaints against one particular product line in the industry
- Bad publicity or rumours leading to mass complaints
- Departure of one or more RIs leading to a loss of High Net Worth clients
- Any other failure of either significant clients or counterparties upon which AMR relies to generate a significant proportion of its revenue
- Significant operational events such as failure of key systems or internal fraud

Insufficient Liquidity whereby AMR needs to consider that the assets that it holds can be converted to cash within a reasonable time frame e.g.

- Extent to which liquid assets may be held
- The possibility of assets held in alternate currencies
- Unexpected payment obligations such as:
  - i) Direct or indirect costs arising from litigation
  - ii) Redress payments
  - iii) Fines or penalties

Material loss to clients whereby the actions of AMR result in losses to clients e.g.

- Breach of investment mandate resulting in a client being exposed to risks outside of their specified tolerance or being invested in unsuitable investments
- Trading or dealing errors resulting in losses to clients
- Disruption to AMR's systems that may cause disruption to the services provided to clients
- Unsuitable investment advice leading to client losses

Mitigation of Material Harm to firm

AMR looks to mitigate all operational risk to an acceptable level, in accordance with its risk appetite, by maintaining a strong control environment ensuring that all staff have the appropriate knowledge and training and by an effective management structure.

AMR aims to mitigate material harm to the firm in the following ways:

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- In the event of long term loss of business, AMR must be able to fund at least 25% of activities without receiving supporting income. This equates to the FOR of £211,172. This could be met from liquid asset reserves
- Any exceptional item that leads to a loss of £200,000 or a combination of exceptional loss and loss of long term business would be met from liquid asset reserves. There are sufficient reserves to provide time for a timely wind-down if this was deemed necessary
- AMR currently has a PI excess of £250,000 resulting in an additional own funds requirement of £161,000. There is sufficient in liquid assets to pay this excess and subsequent expenses would be met by PI insurers. It is deemed unlikely that such a scenario would occur due to AMR's business model
- AMR believes that is unlikely to suffer bad press leading to mass complaints, but in such an event the time taken to crystalize such a scenario would provide opportunity to access liquid and non-liquid assets should this be required
- Following the departure of one or more RI's leading to a loss of high net worth clients or the failure of significant clients or counterparties would lead to a drop in income, but would also lead to an immediate reduction in personnel costs. AMR believes that whilst this scenario would affect the ongoing income of the firm, it would not affect the firm's ability to continue and the time taken for it to crystalize would allow short term use of liquid asset reserves to cover any short falls

AMR aims to mitigate the possibility of insufficient liquid asset in the following ways:

- A monthly review will be carried out to ensure that capital reserves remain at a fixed level to mitigate a sustained reduction in funds under management which would lead to a substantial loss in income
- AMR does not hold assets in alternate currencies
- AMR has limited exposure to market risk as it does not have a trading book
- AMR is exposed to credit risk from managed fund fees due from investment vehicles and cash deposits held at the bank on behalf of AMR. AMR believes that such risk is minimal.
- Redress payments and some litigation costs would be covered by insurance, but AMR feels that because of its business model such costs are unlikely to arise but should that happen, any costs would be contained by insurance claims and sufficient liquid assets
- AMR has always aimed to be up-to-date with its regulatory returns and open with the various regulators involved within financial services. It therefore believes the possibility of fines or penalties would be low. However, should such a scenario arrive, AMR believes that it holds sufficient assets to meet those fines. If this were not the case, AMR believes it holds sufficient assets to conduct an orderly wind down with minimal effect on either the market or its clients

AMR aims to mitigate the possibility of material harm to clients in the following ways:

- Breaches of investment mandates are very rare. For AMS clients, funds cannot be switched without the approval of the client, IMS clients would not be moved between portfolios without their approval, and PMS client portfolios are managed by the investment department to remain within mandate parameters. Any discrepancies would be noted within the periodic file checks. Should there be any such breach, it is likely that it would be client specific rather than on mass and we believe it would therefore be contained

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- AMR does not deal as principal, but rather transmits orders to third party platforms. Platforms will not undertake contingent trades, in as much as each client must have sufficient stock to meet a sale request, and sufficient cash to meet a buy request. As such, a large-scale dealing error by AMR which exposes the firm or clients is highly unlikely. Losses arising from individual dealing errors will be assessed and reimbursed to client investment accounts. IMS model fund switching requires a second investment manager to check and approve the switch to minimise the possibility of errors. Any redress to clients would be deemed to be small enough to have no material effect on the business
- Disruption to AMR's systems is unlikely to cause client harm as information could be obtained from the product provider/Stocktrade at any time. AMR has two offices and it is unlikely that both offices would be out of action at the same time which would mean that AMR could operate without too much interruption to the provision of client services. Dealing platforms and back office systems are accessible remotely via web access in the event of enforced work from home arrangements
- Unsuitable investment advice would possibly pose the largest threat to clients. However, AMR does not have a large staff of investment advisers or appointed representatives. There are only three RIs within the company, two of whom are directors. Files are checked on a regular basis and because of the low number of RIs, close management of investment advice is maintained

5. How is AMR Complying with the overall Financial Adequacy Rules?

AMR believes that it is compliant with the overall financial adequacy rules based on its year-end figures as at 31/12/24 and its last audited accounts (31/12/24) viz:

- Available own funds* £1,332,436
- Available liquid assets £1,147,558
- Fixed Overhead Requirements £   211,172

*including an unencumbered property used as the Harpenden office

6. Stress Testing

AMR carries out a monthly stress test based on the retention at all times of liquid capital reserves of £150,000. A cash flow projection will be prepared if AMR comes within 10% of breaching that limit. The effect of a material loss of fee/commission income or an event causing material outflow of cash will be measured and monitored by the preparation of a cash flow report for the following 12 months.

7. Own Fund Limits

AMR has identified that should its own funds and assets fall below £245,000 this may indicate that there is a credible risk that the firm will breach it threshold requirements. In this scenario appropriate action would be taken.

8. Appropriate Recovery Actions

As the owners of the company, Jonathan Bailey and Russell Bamford would be responsible for taking all relevant decisions relating to appropriate recovery action. However, other senior members of staff may be consulted.

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In the short term the following actions could be taken to release liquid assets into the firm:

- unsecured lending could be obtained via an overdraft at the bank
- if unsecured lending is not available, secure lending could be obtained using the Harpenden office (a wholly owned unencumbered property) as security
- a mortgage could be taken out against the Harpenden property
- Directors could initially reduce their drawings by 50% for up to six months. Then if required, cease drawings altogether for a further three months which would provide nine months of reduced overheads and release capital

In the longer term the following actions could be taken:

- sell the Harpenden property and, if necessary, rent an office
- close one office and have a mixture of staff working from one office and the rest from home
- If staffing costs became too onerous and in a worse-case scenario, only retain key staff in order to complete an orderly wind down

9. Wind-Down Action Plan

In the event that it was deemed necessary to wind down AMR, it's first priority would be to its clients. As AMR does not hold either client money or assets this would be a relatively simple case of advising all clients that AMR was no longer able to act as a financial adviser of discretionary fund manager. AMR would aim to advise all clients as soon as possible in order that they could seek alternative financial advice. All investments would remain invested, therefore mitigating losses to clients if funds had to be sold at an inappropriate time.

For clients within our Discretionary Portfolio Management service, the client remains beneficial owners of their investments so they could take control of the accounts directly, or transfer the holdings to the administration of another investment manager/platform. Again, clients would be advised as soon as possible in order that they could make alternate arrangements.

We hold no unquoted securities on behalf of clients or the fund, and all collective holdings are FCA regulated or approved.

A skeleton staff would be maintained in order to:

- Finalise any work in progress and clients in the process of setting up investments would be informed of this.
- Advise all counterparties of our intention to wind down the firm
- Advise all regulatory bodies e.g. FCA/Companies House etc

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DECEMBER 2025

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