AMATI GLOBAL INVESTORS LIMITED (FCA Reference Number 198024)

Pillar 3 Disclosures

2017

1. Executive Summary

The Basle II Accord has been implemented in the European Union through the Capital Requirements Directive ('CRD'). The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars:

• **Pillar 1** specifies the minimum capital requirements of firms to cover credit, market and operational risk;

• **Pillar 2** requires firms to assess the need to hold additional capital to cover risks not covered under Pillar 1; and

• **Pillar 3** requires a set of disclosures to be made which enable market participants to assess information on firms' capital, risk exposures and risk management procedures.

The Financial Conduct Authority ('FCA') holds responsibility for implementing the CRD within the UK and has set out its minimum disclosure requirements in its Handbook under BIPRU 11.

1.1 Purpose

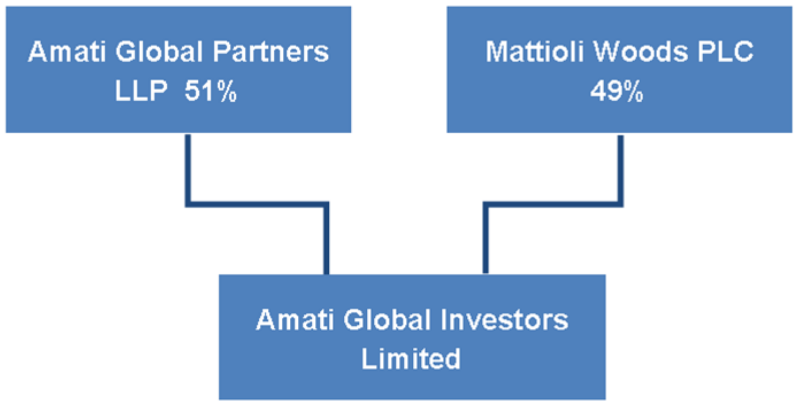
This document provides the features of the Internal Capital Adequacy Assessment Process ("ICAAP") for Amati Global Investors Limited ("AGI"), a subsidiary of Amati Global Partners LLP ("AGP") (together the "Group"), including an assessment of the level of capital that is considered adequate to mitigate the various risks to AGI.

The purpose of this report is to document the ongoing assessment of AGI's risks, how the Group intends to mitigate those risks and how much current and future capital the Board considers necessary having considered other mitigating factors. The report sets out how AGI manages its risks, what the key risks are and how the Board has satisfied itself that it has sufficient capital in respect of the risks faced now and during the next three years. This report is available to the FCA on request. Given that capital management is embedded in AGI and the report summarises important information relating to AGI's risk management and capital position, it will also be used from time to time by the auditors and the Management Committee of its holding company, AGP. The ICAAP report is reviewed at least on an annual basis irrespective of whether the FCA requests to see it.

This report is considered to be a key risk management tool by the Group. It allows the Partners of AGP and the Directors of AGI to rigorously assess the risks to the business and the consequences of those risks. It is used in conjunction with the Amati Risk Register.

2. Background

2.1 Group Structure



AGP is a holding vehicle for AGI, a subsidiary which is in the business of fund management. AGI is an FCA regulated entity. It was formerly called Noble Fund Managers Limited whilst under the ownership of Noble Group, its former parent company. The name change followed the management buyout of Noble Fund Managers Limited by Paul Jourdan and Douglas Lawson in January 2010.

AGI is the only regulated operating company within the Group. AGI is fully consolidated with AGP for accounting and prudential purposes.

AGP owns 51% of AGI. The remaining 49% is owned by Mattioli Woods plc ("MW") following an acquisition of share capital in February 2017. As a result of the acquisition the Board of AGI was restructured and three directors from MW were invited to join the board.

3. Risk Management and Capital Adequacy Assessment

3.1 Risk Framework

The objective of creating a risk management framework is to identify, measure, monitor, manage and report risk in a consistent fashion on a timely basis. To achieve this, the Group has a number of risk management processes, which include:

3.2 The Boards and its sub-committees

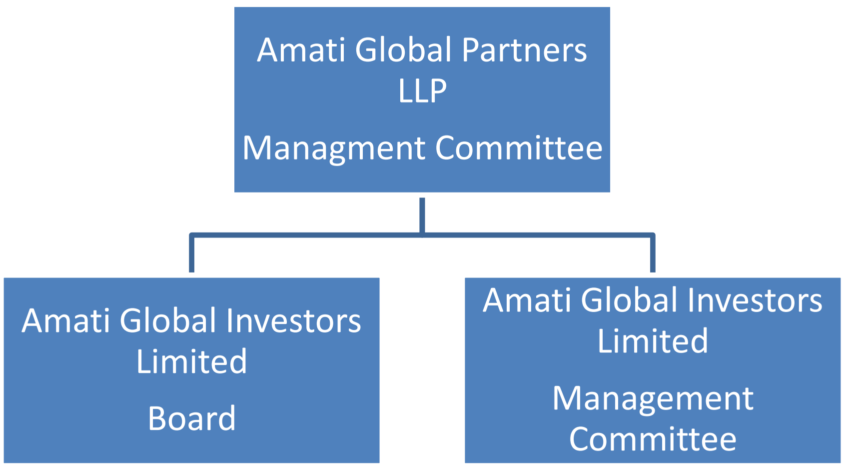
The Board of AGI meets quarterly and consists of the following:

- Dr Paul Jourdan (Executive CEO)
- Douglas Lawson (Executive Director)
- Gordon Izatt (Executive Director)
- Mark Smith (Non-Executive Director)

- Ian Mattioli (Non-Executive Director)
- Simon Gibson (Non-Executive Director)
- Rosanna Colangeli (Company Secretary)

Separately, Paul Jourdan and Douglas Lawson, Directors of AGI, Rosanna Colangeli, Head of Finance and Operations and Andrew Lynn, Compliance Officer, hold a monthly Management Committee meeting.

The Designated Members of AGP, being Paul Jourdan and Douglas Lawson, hold a quarterly Management Committee meeting, with Rosanna Colangeli. The Managing Partner is Paul Jourdan. David Stevenson and Gordon Izatt, both partners of AGP, are normally present at this meeting.



AGI has three non-executive directors – Ian Mattioli (IM), Mark Smith (MS) and Simon Gibson (SG).

Ian Mattioli is the founder and CEO of Mattioli Woods, which holds a 49% shareholding in AGI. Ian has over 30 years experience in financial services and also currently serves as director of Custodian Capital, a property investment manager wholly-owned by Mattioli Woods and Custodian REIT, a real estate investment trust managed by Custodian Capital. Ian was awarded an MBE in 2017.

Mark Smith joined Mattioli Woods in 2000 following 12 years working in financial services. He has responsibility for Mattioli Woods' compliance oversight and holds the FCA CF10 function and is responsible for liaison with the FCA on all regulatory issues. He is also a director of Custodian Capital and M C Trustees Limited, a separately regulated SIPP operator within the group.

Simon Gibson is the Chief Investment Officer at Mattioli Woods. In 1998 he set up Thoroughbred Financial Services, a firm that merged with Atkinson Bolton Consulting (ABC) six years later to create an award-winning company. ABC became part of Mattioli Woods in 2013.

3.3 Definitive reporting lines and roles and responsibilities

The Group has a clear structure of reporting lines and each employee is aware of their roles and responsibilities within the organisation.

The 49% acquisition of Amati by Mattioli Woods plc prompted a review of our compliance framework in order to ensure that it remains appropriate to the scale and complexity of the business. Andrew Lynn has become Compliance Officer taking over the CF10 Compliance Oversight and CF11 Money Laundering Reporting roles. Paul Jourdan has relinquished his CF10 and CF11 controlled functions, thereby removing any potential conflicts of interest arising from his CF1, CF3 and CF30 roles and effectively segregating the compliance and executive functions.

3.4 Business Continuity Plan

The Group has its own Business Continuity Plan ('BCP') within the firm's Procedures document which describes the logistical plan for how the organisation will recover and restore partially or completely interrupted critical functions within a predetermined time after a disaster or extended disruption. This plan was last tested in November 2016.

3.5 Compliance manual

The purpose of this manual is to provide guidance and set out certain principles, general practices, rules and procedures which provide the foundations for the proper conduct of business within the firm and, in some cases, reflect other applicable jurisdictions' legal and regulatory requirements. The manual is updated quarterly. All staff are required to read the quarterly updates and the entire manual annually.

3.6 Monthly consolidated management accounts

AGP, AGI and AGP consolidated management accounts are prepared each month. The consolidated management accounts are submitted to the Management Committee for review on a monthly basis. The AGI management accounts are submitted to the Board quarterly for review and discussion. They are also used to assess the capital adequacy of each entity and of the Group.

3.7 Internal Risk Management Framework

The Group assesses its key risks in the ordinary course of business through the internal risk management framework. The system records risks across the business, together with the method of control for that risk, any actions that need to be taken and the resulting level of residual risk.

3.8 ICAAP

The main purpose of the ICAAP is to document the ongoing assessment of AGI's risks, how the Board intends to mitigate those risks and how much current and future capital the Group considers necessary having considered other mitigating factors. The ICAAP sets out how the Group manages its risks, what the key risks are and how the Group has satisfied itself that it has sufficient capital in respect of the risks faced now and during the next three years. The ICAAP is provided to the FCA on request. Given that capital management is embedded in the firm and the ICAAP summarises important information relating to the Group's risk management and capital position, it will also be used from time to time by the Group's Boards and its auditors. The ICAAP report is reviewed at least on an annual basis. In addition, however, the Group determines its overall capital requirement by reference not only to its regulatory capital requirements but to the budget approved by the Boards each year. This provides the expected operating performance of the business.

3.9. Risk Categories

The FCA rules in GENPRU consider risks under the headings listed below which have been assessed with reference to the Group. Some of the key risk headings are not relevant to the Group's business; in such instances the reasons have been documented. The main risks are in the categories of operational, concentration and business risk. Certain risks were considered but were not included in the quantification, as they were not deemed likely to have a significant impact on capital requirements.

3.9.1 Credit Risk

Credit risk is defined as the risk of loss arising from a counterparty failing to meet its financial obligations.

The credit risk in AGI is limited as income is derived predominantly from its funds under management. Investment management fees are contractually payable quarterly in arrears. The investment management agreements provide that investments can be liquidated to the extent that this is required to satisfy payment of investment management fees as they fall due.

The principal creditor of AGP is AGI, which relates to sums due under the intercompany agreement.

Overall, credit risk is not material to the business.

3.9.2 Market Risk

The Group holds positions in Fox Marble Holdings Plc and Mirriad Limited through investments made by AGP in lieu of non-executive directors' fees. At 31 May 2017 these investments were valued at £42k. Fox Marble is a decorative stone extraction company operating in Kosovo, with headquarters in the UK. Mirriad is a technology company, also based in the UK. Due to the size of the positions held adverse price movements would not be material to the business.

The model portfolio used for the AIM IHT Portfolio is held on James Brearley, a share dealing and investment management business, At 31 May 2017 the portfolio was valued at £89k.

We would anticipate some volatility in the value of the direct investments in Fox Marble and Mirriad and the portfolio of AIM stocks, however, given the size of these investments relative to the overall capital base of the group, we do not deem it necessary to make a provision for this risk.

Currency risk arises from the change in price of one currency against another but the Group deals almost exclusively in Sterling.

The risk of adverse currency movements is not currently material for the Group.

3.9.3 Liquidity Risk

Liquidity risk is the risk of a firm that, although solvent, runs out of cash and is only able to borrow at punitive interest rates to meet its obligations as they fall due. The relevant rules are outlined in BIPRU 12.3 and 12.4:http://fshandbook.info/FS/html/FCA/BIPRU/12

AGI is a profitable, cash generative fund management business. The fund management model offers good levels of visibility over income which allows the Directors of AGI to forecast revenues and manage costs accordingly.

AGI has significant existing cash reserves and has a large profit buffer between current income levels and fixed costs. As a consequence, a cash shortfall is unlikely to occur. The most likely cause of a reduction in this buffer is a decline in fund values and therefore investment management fees. Based on an estimated 2017 fixed cost base of approximately £1.3m, the value of funds under management would need to fall significantly from the current level of £166m. The current level of AUM generates annualized IM fees of approximately £2.1m (based on £100m of VCT AUM at a net 1.6% IM fee after trail costs and £66m in the TB Amati UK Smaller Company Fund at a net 0.75% IM fee). Fixed costs are therefore 1.6x covered by run-rate investment management fees. The other cause of a decline in revenues and a consequent reduction in the profit buffer would be the termination of one of AGI's VCT contracts. Both of Amati's VCT investment management contracts incorporate 12 month notice periods, however, this reduces to 3 months on the occurrence of certain events. This termination period would allow the Directors of AGI to make adjustments to the cost base if they felt this was necessary.

Cash invested in AGI and generated through the company's profits is held in instant access deposit accounts and transferred into a current account to meet payments to creditors as they fall due. All cash is currently held in Sterling accounts. Cash levels are monitored and minuted as part of a broader review of AGI's management accounts and regulatory capital position at monthly Management Committee meetings and quarterly Board meetings. The Directors also review and approve an annual budget. If the outrun for the year is proving to be materially different on the downside relative to forecasts, the Directors will re-model the budget to review the impact on cash.

AGI held cash balances of £1.26m at 31 May 2017. Amati Global Partners LLP, the parent partnership of AGI, held an additional £403k of cash at 31 May 2017. The annual fixed cost base of AGI, based on forecasts for the year ending 31 December 2016, is £1.3m. Cash reserves in the group therefore represent 15 months of fixed costs.

In the unlikely event of a cash shortfall in AGI, cash reserves in AGP alongside a cash investment from MW would be used to make a further ordinary equity investment in AGI.

3.9.4 Operational Risk

Operational risk has been identified as one of the risks for the Group

3.9.4.1 Non adherence to HMRC VCT rules resulting in fine and potential reputational damage

A failure to adhere to the VCT rules in either of AGI's VCTs under management may result in the withdrawal of its VCT status. Each VCT retains the services of Phillip Hare ("PH") as VCT tax adviser. PH is consulted before a qualifying investment is made. PH reports to the Board of each VCT bi-annually on each VCT's tax compliance. Capita, AGI's back office provider, produces a weekly VCT test. In addition, there are a number of compliance checks built in to the Company's electronic dealing system to monitor trading and portfolios and to provide automatic alerts to users.

We see the worst case consequence of a loss of VCT status in one of the VCTs as an orderly wind-down of the business as we believe that the reputational damage would be too great to continue.

3.9.4.2 Failure to implement new legislation applying to regulated firms.

A failure to implement new legislation may result in the withdrawal of FCA authorisation. AGI has a full-time compliance function and is also monitored by National Regulatory Services (NRS), a compliance consultancy firm. Any new legislative requirements are incorporated into our procedures and the relevant controls and constraints are embedded in our investment management and client relationship systems. These are monitored in real time and reviewed at monthly Management Committee meetings and quarterly Board meetings.

The withdrawal of FCA authorisation would mean that AGI could no longer operate as an investment firm and would in the worst case result in an orderly wind-down of the business.

3.9.4.3 Selecting stocks for the AIM IHT Portfolio that are deemed ineligible for Business Property Relief

There is no definitive list of AIM stocks that qualify for Business Property Relief. The managers must therefore exercise judgement in selecting stocks, however, PH has also been retained to review the AIM portfolio stocks in order to opine on qualification. Any stocks that are not qualifying at death would be liable to inheritance tax.

3.9.4.4 Clients accepted into the IHT Service for whom it is not suitable.

For most clients the suitability process is carried out by advisers, who sign off on suitability as part of the application process. Any clients approaching AGI directly are assessed for suitability by Mattioli Woods plc (MW). This process takes place at arm's length and AGI does not prejudge the outcome in any way. If the Service is deemed to be suitable for the prospective client and AGI has received a copy of the suitability report, we will then consider an application for the Service.

3.9.4.5 Failure to operate an effective dealing process

The dealing system is configured such that only authorised fund managers can place orders on the system. Each stage of the dealing process is logged on the system which provides a full audit trail of each trade.

Contract notes are provided by the broker and reconciled by the fund administrators in advance of settlement by the custodians.

All trades are monitored in real time by compliance to provide oversight over all dealing processes.

In addition, we have Directors and Officers (D&O) liability insurance and Professional Indemnity (PI) insurance, which would be claimed should AGI be liable for executing an erroneous trade that resulted in loss. The excess on these policies is £20k.

3.9.4.6 Failure to monitor outsourced providers

A review of all outsourced providers is conducted at each board meeting where their effectiveness and services levels are discussed.

AGI is responsible for the performance of its outsourced suppliers. An error caused by an outsourced supplier that resulted in loss for one of AGI's clients could lead to a claim against AGI, which would then be subject to a counter-claim by AGI against its supplier.

3.9.5.7 Legal claims against the Group or its employees

This is a risk faced by the Group which is mitigated by PII cover. The group's cover is limited at £5m.

3.9.4.8 Loss of data

A large amount of data is held electronically (including business critical data). Should there be a system failure there is the potential for this data to be lost. In order to mitigate this risk the Amati data files are backed up hourly to external hard drives and synchronised every 6 hours to external webservers. Databases are synchronised live. Nightly backup of databases and webserver files are kept for 7 days. Webservers are synchronised daily with the internal server. All incoming and outgoing emails are archived and that full archive is backed up on an external hard drive monthly.

3.9.4.9 Inability to use office premises

A Business Continuity Plan/ Disaster Recovery plan is in place which allows all members of staff to continue working from home with minimum disruption.

3.9.4.10 Failure to meet requirements of Data Protection Act, information security and data privacy

AGI must ensure compliance with DPA requirements at all times and ensure that best practice is achieved in respect of information security and data privacy. In advance of the new GDPR coming into force in May 2018 AGI has undertaken significant efforts to ensure compliance. In May 2017 AGI was awarded a Certificate of Compliance with the Cyber Essential Scheme. Work is currently being undertaken to extend our Cyber Essentials certification to Cyber Essentials Plus before the end of 2018.

Failure to meet the requirements of the Data Protection Act could result in a claim against AGI, for which AGI would resort to its insurance in the first instance.

3.9.4.11 Insider Dealing or market abuse

AGI's Compliance Manual includes rules which all partners of AGP and Directors and staff of AGI must follow.

We see the worst case consequence of an insider dealing or market abuse claim against AGI, its directors or staff as an orderly wind-down of the business as we believe that the reputational damage would be too great to continue.

3.9.4.12 Failure to identify conflicts of interest

If a conflict arises the Compliance Officer will be informed. If the conflict cannot be resolved by reference to the AGI Compliance Manual it is referred to our compliance consultants.

AGI does not see a material risk of loss due to a failure to identify conflicts of interest.

3.9.4.13 Share buyback calculated at wrong price

Detailed procedures are in place for executing a share buyback. The buyback is approved by a fund manager and the company secretary before being bought in the market and sold back to the VCT plus the market maker's turn.

The most likely cause of an incorrect price would be an erroneous communication of the buyback price to the market maker which would result in the shareholder's shares being acquired above market value. If this trade could not be unwound, the VCT would be bound to acquire the shares from the market maker at this inflated price. AGI would be liable for this error.

3.9.4.14 Failure to maintain adequate liquidity at all times

The risk management process, this ICAAP, stress testing of forecasts and monthly management accounts reviews all ensure that adequate liquidity is maintained.

3.9.4.15 Incorrect allotments of VCT shares

Allotment figures are checked by AGI and the relevant VCT's external registrars before submitting to the relevant authorities.

If any shares were to be incorrectly allotted and the VCT suffered loss as a consequence, AGI would be liable.

3.9.4.16 Failure to adhere to the FCA's TCF initiative

Performance, complaints, errors and breaches are recorded by compliance and reviewed at monthly management and board meetings. In addition, all marketing material is approved by compliance, the website is kept up to date and the fund factsheets are updated monthly.

We see the worst case consequence of failure to adhere to the FCA's TCF initiative as an orderly wind-down of the business as we believe that the reputational damage would be too great to continue.

3.9.4.17 Failure to record telephone calls

All incoming and outgoing calls made via SureVoIP are recorded.

3.9.5 Insurance Risk

Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group does not underwrite insurance and this is not within its permitted activities. Given the nature of the Group's activities, this is not seen as a risk.

3.9.6 Concentration Risk

This risk is reducing as AGI grows and adds funds under management. AGI's biggest fund is now TB Amati UK Smaller Companies Fund representing 39% of funds under management. Amati VCT plc and Amati VCT 2 plc are of similar size at 30% and 29% of funds under management respectively. The biggest risk to the firm comes from the Board of either VCT deciding to move the management contract to another fund manager due to poor performance. The VCTs benefit from 12 month notice periods which gives management the flexibility to reduce the cost base of the Group to cope with a fall in income whilst decisions are taken on future strategy.

3.9.7 Residual Risk

Residual risk is the risk that the credit mitigation techniques used by the firm prove less effective than expected.

3.9.8 Securitisation Risk

Securitisation risk is the risk that the capital resources held by a firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transferred. This risk is not applicable for the Group's business.

3.9.9 Business Risk

Business risk is one of the Group's risk areas.

3.9.9.1 Shortfall in business revenue

Adverse market conditions that could give rise to a shortfall in budgeted revenue through a decrease in FUM and investors' appetite for additional investment in equities.

There are controls and procedures to monitor these risks and management would take any necessary remedial action.

This is looked at in the context of AGI's four Client Funds/ Products currently under management:

- Amati VCT plc
- Amati VCT 2 plc
- TB Amati UK Smaller Companies Fund
- Amati AIM IHT Portfolio Service

The income of AGI has a relatively high degree of visibility as it is based on a fixed percentage of funds under management. Of course, the size of funds under management will vary as the underlying assets are predominantly listed equities and therefore subject to price movements. In stress testing the model, it is therefore important to assess the impact on profitability of a reduction in funds under management caused by a fall in equity values. This is the **first risk** to income.

The **second risk** to income is a high level of redemptions from the investors in AGI's funds. This is viewed as low risk as the majority of funds under management are within tax driven structures (predominantly Venture Capital Trusts) which penalise investors for withdrawing their investment within a minimum holding period, however a high proportion of investors in AGI's funds have now passed this minimum holding period. Regarding the TB Amati UK Smaller Companies Fund, investors are less 'sticky'. This is not specifically a tax driven product therefore investors are less likely to de disadvantaged from a tax perspective if they were to redeem their shares. In addition, there is a greater degree of liquidity in the shares versus VCT shares (although AGI ensures liquidity for its VCT investors by offering a regular buyback facility) which potentially increases the likelihood of fund depletion through redemptions. Whilst this fund is important to AGI from a strategic perspective, currently it is less so from a financial perspective as whilst it is now our largest fund it receives a smaller net management fee than the VCTs. However, a key strategic objective is to continue to grow this fund and, if we achieve this, the impact of redemptions will become more acute. This is also relevant for the Amati AIM IHT Portfolio Service which was launched in October 2014. As at 31 May 2017 FUM was £3.3m therefore the financial implications of redemptions from this fund are not currently significant. When the FUM does increase it will however benefit from some protection on redemptions due to the Business Property Relief exemption requirement to hold qualifying stocks for a minimum of two years.

AGI also considers shareholder communication to be of paramount importance to the retention of investors. The Directors of AGI believe that they have amongst the best level of shareholder communication in the venture capital trust industry with an informative website (www.amatiglobal.com) with sections devoted to each fund under management and monthly factsheets for each fund.

The **third risk,** and greatest risk, is the potential loss of an investment management mandate. The biggest risk to income would be the immediate loss of the management contract for Amati VCT plc or Amati VCT 2 plc. Both VCTs benefit from 12 month notice periods, however, the contracts become terminable with immediate effect on the occurrence of certain events:

- if the Manager is wound up, becomes insolvent, appoints an administrator;
- the Manager is found liable for a material breach of duty;
- the manager undergoes a change of control which the Board of the VCT deems likely adversely to affect the provision of services;
- Paul Jourdan ceases to work on a day to day basis on the management of the portfolio, unless within 20 business days an appropriate replacement is agreed; and
- if FCA authority is revoked or cancelled.

It is, therefore, unlikely but possible that both of the VCT contracts could become terminated with immediate effect at the same time or AGI ceases to be able to provide investment management services due to a withdrawal of FCA authorisation. Under these scenarios, we assume that AGI would be forced to effect an orderly wind-up of the business.

3.9.9.2 Excess unbudgeted cost base

This risk relates to overspending on the budget for the current financial year. Management feel that this risk has been mitigated by monthly appraisal by the Management Committee of actual results versus budget using monthly management accounts a quarterly discussion on trading and the financial health of AGI at Board meetings.

The direct costs relating to the VCT contracts, namely administration, provided by Capita, and company secretarial, provided by City Partnership, are subject to termination provisions that are similar to those between AGI and the funds under management, such that these contracts can be terminated in the event that the specific fund management contract to which it relates is terminated.

Other fixed costs consist of compliance services, property rent and rates, IT and software license costs, insurance, audit, FCA fees and accounts support. All of these costs are agreed at the beginning of Group's financial year, giving visibility over fixed costs for budgeting purposes. These costs are contractual by nature and have specific contractual termination provisions. As a consequence the

Directors can model the capital required to effect an orderly wind down of the business on the basis that there is an immediate cessation of revenues.

3.9.9.3 Fraud or unauthorised activity

This risk is mitigated by internal controls and procedures. Bank accounts are checked daily and reconciled on a weekly basis. The processing and authorisation of all payments are segregated to reduce risk.

3.9.9.4 Loss of key people

The possible impact of losing key persons is mitigated by the fact that all staff have equity participation as partners within AGP. Key man insurance is held for Paul Jourdan, who is in turn named as a key person in both VCT contracts, although there is a provision which allows Amati to find a replacement, which would most likely be Douglas Lawson and David Stevenson, within 60 days. Given the experience of Douglas and David and the likelihood that they would hire an additional fund manager, we are confident that we could make a robust case to the boards of the VCTs for the continuation of the VCT contracts. In the event that the boards were not satisfied with the new arrangements, AGI would be put on 12 months notice. This would provide a degree of protection whilst the remaining directors of AGI made contingency plans for the remaining business, namely restructuring a cost base that could be supported by revenues from Amati's other products. In the unlikely event that the loss of a key man led to contract losses from the VCTs and outflows from the remaining products that meant that even a revised cost base could not be supported, AGI would consider an orderly wind-up of the business.

3.9.10 Interest Rate Risk

The Group is not exposed to interest rate risk.

3.9.11 Pension Obligation Risk

AGI's minimum pension contributions are 2% (Oct 2016- Mar 2018), 3% (Apr 2018 – Mar 2019), 4% from Apr 2019.

Capital Resources

Amati Global Partners LLP had the following capital resources on a consolidated basis at 31 December 2016 based on its audited statutory accounts:

Tier 1 Capital	**£'000**
Partners capital	665
Audited P&L Reserves	633
Total Tier 1 Capital	1,298
Tier 2 Capital	0
Tier 3 Capital	0
Group regulatory capital resources	1,298

Amati Global Investors Limited had the following capital resources on a solo basis at 31 December 2016 based on its audited statutory accounts:

Tier 1 Capital	**£'000**
Permanent share capital	265

Share premium	0
Capital contribution	0
Audited P&L Reserves	768
Total Tier 1 Capital	1,033
Tier 2 Capital	0
Tier 3 Capital	0
Regulatory capital resources	1,033

Neither AGP nor AGI has any Tier 2 or 3 capital resources at 31 December 2016.

No innovative tier one capital is held by the Group.

Monthly consolidated and entity-level management accounts are prepared and reviewed in detail by Group management and subsequently discussed at the meetings of the Management Committee Meetings when the Designated Members' Paul Jourdan and Douglas Lawson are always in attendance. The management accounts for AGI are reviewed by the AGI Board at quarterly meetings. The Group's financial resources compared to its minimum capital requirements are also discussed at these meetings. Annual budgets are prepared and approved by the Boards and these are tracked monthly against the actual performances with significant deviations investigated. The conclusion of the Management Committee of AGP and the Board of AGI is that AGP and AGI have sufficient capital to meet their regulatory resource requirements and also to support their current and foreseeable activities. As discussed above, there are no restrictions on management in regards to the transfer of capital in or out of businesses and in the jurisdictions that the Group operates in, apart from the need to hold the minimum regulatory capital in each entity.

4. Capital Planning

The principal source of capital to fund AGI's business is internally generated profits.

AGI is a profitable business and the objective of the partners of AGP is to operate the LLP at a breakeven level. Both income and costs have a relatively high degree of predictability and the fixed cost base has been maintained at a low level for many years with most costs contractually fixed.

Following the acquisition of share capital by MW there is no intention to invite any new partners to invest in AGP. If required, future investments into AGI will be made by the existing partners of AGP and MW. All future investments will be Tier 1 capital instruments (equity units) which will be injected into AGI.

5. Challenge and Adoption of the ICAAP

In preparing the ICAAP for the firm, senior members of AGI have been involved in identifying and quantifying risk events, mitigating controls and management actions that would be taken if the risk were to crystallise. The likelihood and potential impact of each risk event occurring given the mitigating controls are considered. The identification of these risks is based on the judgement of the management team and reflects their views of the scale of the potential impact of each risk. The risks are documented in the Group's Risk Register providing a comprehensive record of risks and controls for the ICAAP analysis.

The ICAAP has been presented to the Board for review and discussion with senior staff in conjunction with the Risk Register for the Group. AGI prepares the ICAAP at least on an annual basis. Further reviews are conducted as required in the event of any changes to the business or economic or market events requiring the Board to review plans and take action to mitigate risk to the business.

When the report is challenged, the Board consider whether the report is an accurate reflection of the risks faced by the business and the possible scenarios that could occur. A final version of the report is prepared incorporating comments from the Board which would then be formally signed off.

The information contained in this document has not been audited by the Group's external auditors, therefore they do not constitute financial statements and should not be relied upon in making judgements about the Group. These disclosures explain how the Boards have calculated certain capital requirements and information about risk management.

6. Use of the ICAAP in the Firm

Risk management is embedded within all of the day to day operations in the firm to ensure that risks are mitigated as far as is possible. The preparation of the firm's ICAAP is an extremely useful tool within this framework allowing senior management to consider scenarios which would have the greatest impact on the business, quantify material risks identified and plan capital requirements accordingly.

The Board takes a low risk approach to the management of capital in the firm, preferring to hold significant sums of capital in excess of requirement, and capital resources held in the Group are closely monitored on a monthly basis. This strategy provides time and resources to allow for remedial action to be taken in the event that the business was no longer profitable or, required to be wound-down. In practice the relatively small size of the business allows senior managers to implement changes to the firms cost base quickly in the event of an economic downturn.