progeny CONNECTED FINANCIAL THINKING

MIFIDPRU 8 DISCLOSURE

The Progeny Group

Year to 31st December 2024

@theprogenygroup
theprogenygroup.com

CONTENTS

1 INTRODUCTION

1.1 BACKGROUND AND PURPOSE

On 1 January 2022, the Investment Firms Prudential Regime (IFPR) came into force. This is the FCA's prudential regime for MiFID investment firms. It is intended as a simpler framework than that operated by the PRA for the regulation of financial institutions, and it is intended to be more suited to the risks facing, and posed by, Investment Firms.

The regulations are set out in the FCA Handbook within the MIFIDPRU section.

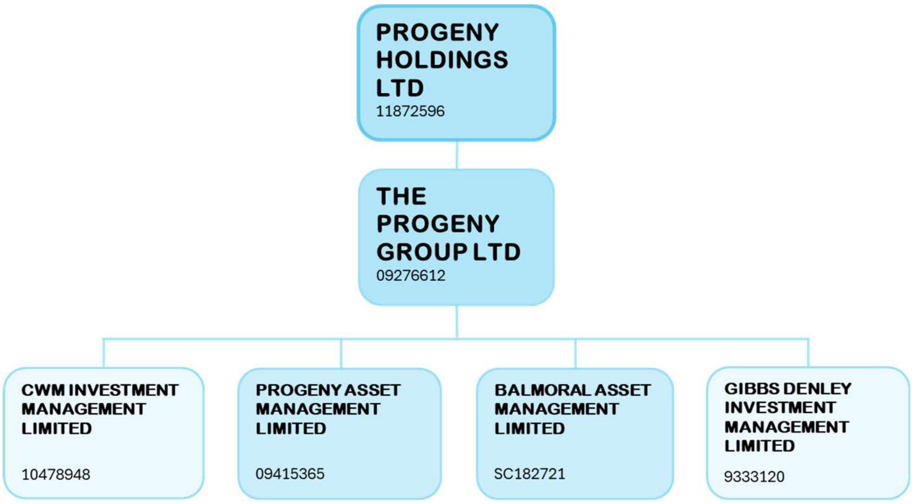
MIFIDPRU 8 requires firms to publish certain information in a manner that is easily accessible and free to obtain, clearly presented and easy to understand, consistent in its presentation across disclosure periods, and highlights any significant changes when compared with previous disclosure periods.

1.2 SCOPE OF APPLICATION

Disclosure is required at least annually, aligned with the publication of annual financial statements, and on an individual firm basis.

Whilst allowance is made for disclosure at an Investment Firm Group level where a firm is exempt in accordance with MIFID 2.3.1 R this does not apply to Progeny Asset Management Limited. However, since much of the control and governance framework operates at a group level, it is considered that a combined presentation gives the clearest view.

1.3 CORPORATE STRUCTURE



This chart[1] shows the MIFIDPRU investment firms included within the group at December 2024. Progeny Asset Management Limited (PAM) is now the only one of any significance since the business from the others has been novated into it. Accordingly, there is little relevance in showing

[1] The numbers in each box are the relevant Companies House registration numbers.

detail for the other firms. Post December 2024 but prior to this publication, permissions have been cancelled for CWM Investment Management Limited and Gibbs Denley Investment Management Limited.

2 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Progeny Holdings Limited Board and senior management are actively involved in the day-to-day operations of the Group, including risk assessment. This assessment includes the impact and likelihood of risk events that could materially impact the operations of the Group. In addition, mitigations are monitored to ensure the potential impact of these risks is reduced to an acceptable level.

2.1 Principal risks and uncertainties

The Risk Management Framework has been significantly enhanced during the year, alongside the Group's Internal Capital Adequacy and Risk Assessment (ICARA) process, which assesses the impact and likelihood of risk events which could materially impact the Group. Early warning triggers are also in place to prompt pre-emptive management action if required.

The Group's principal risks are as follows:

2.1.1 Strategic risk

Strategic risks can prevent or reduce Progeny from achieving its overall business objectives. These risks can be associated with changes to macroeconomic, political, and regulatory environment. Progeny has significantly improved its governance structure during 2024 and into 2025. The Progeny group has also recently strengthened its Board and Executive teams.

2.1.2 Capital risk

The risk that the Group fails to maintain the minimum regulatory capital requirement to mitigate its key risk exposures under a business-as-usual scenario and a stress scenario. The ICARA process is undertaken annually as a minimum to ensure the Group is holding sufficient capital against the risks it faces. Significant capital injections were made into the IFG during the year. Regular reporting of capital adequacy is presented to the Group Executive Committee and the Progeny Holdings Board for review and challenge.

2.1.3 Liquidity risk

The risk that the Group will not have sufficient financial resources to meet its obligations as they fall due. The Group maintains a mixture of long-term and short-term debt finance that are designed to ensure the Group has sufficient funds for its operations and meet regulatory requirements. Regular reporting of liquidity adequacy is provided to the Group Executive Committee and the Progeny Holdings Board for review and challenge.

2.1.4 Market risk

Market risk is the risk of financial loss due to changes to market prices. Global financial market movements result in investment value volatility which impacts the Group's recurring revenue. Market volatility is closely monitored by both Investment Committees in Progeny Wealth and Progeny Asset Management. Early warning triggers are also in place to prompt pre-emptive management action if required.

2.1.5 Regulatory risk

Regulatory risk is the potential for the Group to experience financial or operational losses due to changes in laws, regulation, or guidelines. Progeny has a number of controls in place to mitigate this risk, including keeping up to date with regulatory pronouncements, ensuring appropriate compliance polices are in place and ensuring appropriate and timely training is provided to colleagues.

2.1.6 Operational risk

The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This risk is mitigated through a number of measures including, seeking, and acting on client feedback, proactively managing change demand and delivery, attracting, and retaining talent across the Group, and monitoring external events that have the potential to impact the performance of the group.

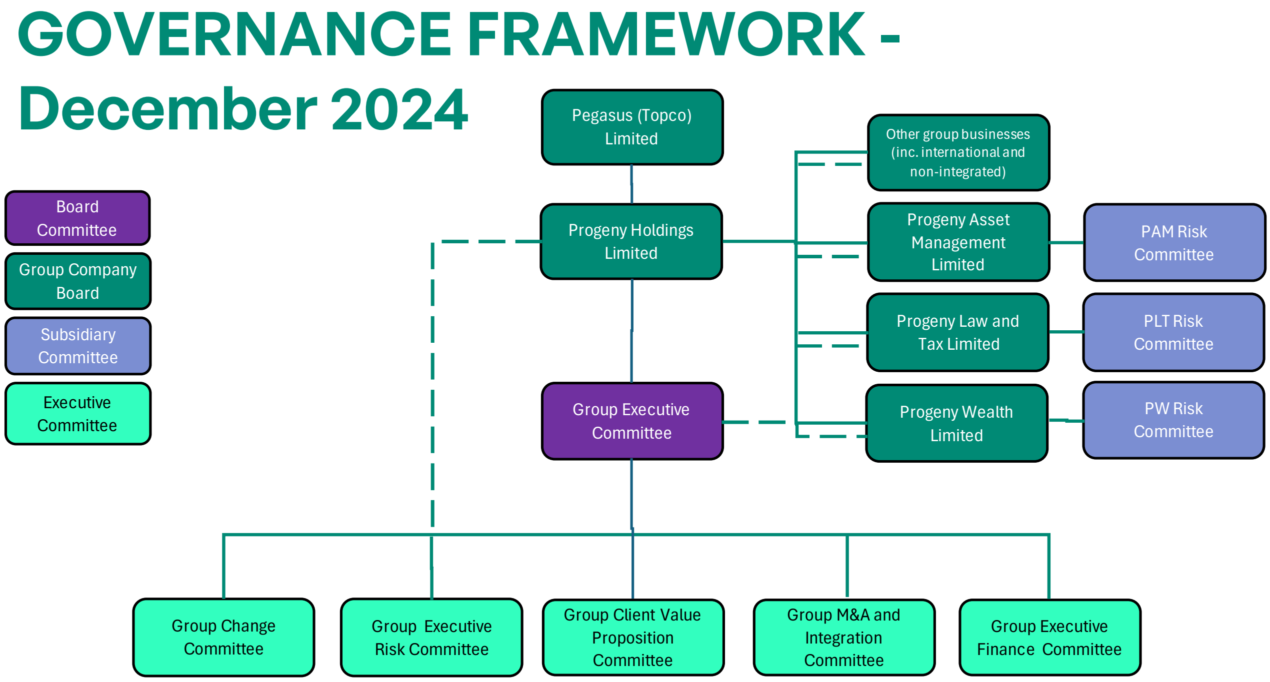
2.1.7 Information security risk (including Cyber risk)

There is a risk that the Group's IT infrastructure is deliberately compromised by external actors or internal colleagues. This could result in breakdowns of the Group's critical systems and lead to Progeny, client and colleague data being compromised. These circumstances can lead to poor financial outcomes through regulatory fines combined with significant reputational harm. This is mitigated by:

- Data protection policies and procedures.
- Data privacy training provided to all colleagues.
- Risk Incidents and Breaches policies and procedures.
- Cyber Insurance Policy.
- Proactive infrastructure and critical asset monitoring.
- User system access and change controls; and
- Ongoing penetration and vulnerability testing.

3 GOVERNANCE ARRANGEMENTS

3.1 Oversight Structure



From a Governance perspective the business operates with a Progeny Holdings Limited Board, which acts as the regulatory & operational oversight Board for the Group and sits across all the regulated entities in the UK. This Board is chaired independently by Ewen Stevenson and has representation from Progeny's Management, alongside our investors. Beneath the Progeny Holdings Limited Board, there is a Group Executive Committee, which are the Senior Leaders within the business that derive their control from the Progeny Holdings Board and execute against the decisions set by the Board and have responsibility to deliver against those.

Underneath the Group Executive Committee are a series of Group Committees that span the organisation and feed up into the Group Executive Committee for decision making and oversight.

From a regulated entity perspective, each entity consists of its own Board and Risk Committees, all which feed into Progeny Holdings.

3.1.1 Key Committees

Progeny Holdings Limited, as the Investment Firm Group, is not required to maintain the committees referred to in MIFIDPRU 7.3.1R. Progeny Asset Management Limited would be required to establish these committees, save for the fact that it satisfies the exclusion criteria of MIFIDPRU 7.1.4R.

However, whilst not required to maintain these committees, the Progeny Board considers it expedient to maintain Risk Committees both for PAM and for the Group.

3.1.1.1 Risk Committee – PAM

This committee comprises the CIO, CRO, Head of Operations, Head of Compliance and Director of Risk, and includes an external consultant.

The committee meets at least quarterly to monitor and assess the ongoing operational and regulatory risks impacting the firm, and to anticipate potential challenges from changes in the economic environment. This enable mitigating actions to be taken as appropriate.

The committee reports to the Board of Progeny Asset Management Limited.

3.1.1.2 Risk Committee – Exec

There is also a Group Executive Risk Committee established for the Group, which comprises the Group Chief Executive Officer (CFO), Group Chief Finance Officer (CFO), Chief Operations Officer (COO), Chief Risk Officer (CRO), and General Counsel.

The activities of this committee are broadly the same as those of the PAM risk committee, but with the focus at the level of the Group. This committee reports to the Board of Progeny Holdings Limited.

3.2 Directorships

3.2.1 Group

Name	Role within Progeny Holdings Limited	Number of External Directorships (Excluding not-for-profit organisations)
Neil Anthony Moles	Director	0
Pierre Olivier Sarkozy	Director	6
Ewen James Stevenson	Non-Executive Chairman	1
Thomas Francis Wood	Director	1

3.2.2 Progeny Asset Management Limited

Name	Role within Progeny Asset Management Limited	Number of External Directorships (Excluding not-for-profit organisations)
Timothy James Gillman	Director	0
Ian Hooper	Director	0
Charlotte Emily Thomas	Director	0
Thomas Francis Wood	Director	1
Neil Anthony Moles	Director	0

The above tables show the data required by MIFIDPRU 8.3.1 R, for the members of the management body of the respective firms, as at 31st December 2024.

4 OWN FUNDS

The template in MIFIDPRU 8 Annex 1R is included below and completed in accordance with MIFIDPRU 8.4.2 R. The data is correct as at 31st December 2024.

4.1 Template OF1 - Group

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**	**33,491**	e / a
2	**TIER 1 CAPITAL**	**33,491**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**33,491**	
4	Fully paid-up capital instruments	7	b
5	Share premium	387,658	c
6	Retained earnings	(131,942)	d
7	Accumulated other comprehensive income	(45)	d
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(222,187)	a
19	CET1: Other capital elements, deductions, and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	-	
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	**TIER 2 CAPITAL**	-	
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	-	

4.2 Template OF2 – Group

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 template OF1**
As at period end: 31 December 2024				
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Goodwill	218,127	217,597	a
2	Other intangible assets	269	269	a
3	Tangible assets	2,975	2,964	
4	Investments	3	566	
5	Debtors	18,941	28,353	
6	Cash at bank and in hand	22,039	20,739	
	Total Assets	262,354	270,488	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: amounts falling due within one year	14,504	12,146	
2	Creditors: amounts falling due after more than one year	84	28	
3	Provisions for liabilities	2,610	2,610	
4	Defined benefit pension liability	26	26	
	Total Liabilities	17,224	14,810	
Shareholders' Equity				
1	Called up share capital	7	7	b
2	Share premium account	387,658	387,658	c
3	Profit and loss reserves	(142,535)	(131,987)	d
	Total Shareholders' equity	245,130	255,678	e

4.3 Template OF1 – Progeny Asset Management

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**	**4,248**	d
2	**TIER 1 CAPITAL**	**4,248**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**4,248**	
4	Fully paid-up capital instruments	4	a
5	Share premium	2	b
6	Retained earnings	4,242	c
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions, and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	-	
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	**TIER 2 CAPITAL**	-	
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	-	

4.4 Template OF2 – Progeny Asset Management

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 template OF1**
As at period end: 31 December 2024				
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Tangible assets	6		
2	Debtors	4,867		
3	Cash at bank and in hand	1,707		
	Total Assets	6,580		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: amounts falling due within one year	2,332		
	Total Liabilities	2,332		
Shareholders' Equity				
1	Called up share capital	4		a
2	Share premium account	2		b
3	Profit and loss reserves	4,242		c
	Total Shareholders' equity	4,248		d

4.5 Main Features of Capital Instruments

The firm is required to disclose the main features relating to its capital instruments. Details relating to Progeny Holdings Limited are summarised below. The shares of Progeny Asset Management Limited are wholly owned by its immediate parent within the group (The Progeny Group Limited).

Own funds: main features of own instruments issued by the firm
The share capital of the firm comprises 6,844 fully paid Ordinary shares with a nominal value of £1 each. All have been issued under private placement. The shares have attached to them full voting, dividend, and capital distribution (including on winding up) rights. They do not confer any rights of redemption. The value recognised in regulatory capital as at 31 December 2024, including share premium, was £387,665k.

5 OWN FUNDS REQUIREMENTS

5.1 Overall Financial Adequacy Rule

As required by MIFIDPRU 7.4.7 R, a firm must at all times hold own funds and liquid assets which are adequate, both in amount and quality, to ensure the firm 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; and that its business could be wound down in an orderly manner, with a minimum of harm to consumers or other market participants.

The amount of capital it must hold to satisfy this requirement is considered as part of the ICARA process which the firm has in place and whose effectiveness is assessed periodically.

As a guide, the regulations set a minimum level as a base for the firm's own evaluation.

Since both Progeny Holdings Limited (as the IFG) and Progeny Asset Management Limited (PAM) are non-SNI firms, the minimum own funds requirement for each, as stipulated by MIFIDPRU 4.3.2 R, is the highest of:

- its permanent minimum capital requirement (PMR)
- its fixed overheads requirement (FOR)
- its K-factor requirement (KFR)

5.2 Permanent Minimum Capital Requirement

Given the permissions held by the Progeny Asset Management Limited, it satisfies the conditions of MIFIDPRU 4.4.4 R and its PMR is determined, in accordance with that regulation to be £75,000. The Investment Firm Group headed by Progeny Holdings Limited satisfies the requirements for Prudential Consolidation in accordance with MIFIDPRU 2.5 and its PMR is determined (in accordance with MIFIDPRU 2.5.27 R) to be £535,000[2]. This is the sum of the individual PMRs for all firms included within the prudential consolidation at 31st December 2024.

5.3 Fixed Overheads Requirement

The FOR is so called because it is determined by reference to the fixed costs incurred by a firm during the twelve months to its most recent accounting referencing date. It is calculated as a quarter of those costs, as stated in its audited financial statements, after any relevant adjustments specified in in the regulations.

The purpose of this measure is to address the second key point of the overall financial adequacy rule, that the firm has adequate capital resources to effect an orderly wind-down.

Progeny Holding Limited's FOR, based on the audited accounts to 31 December 2024, is £17,610k (PAM £1,346k).

5.4 K-Factor Requirement

The KFR addresses the first key point of the overall financial adequacy rule, that is to ensure the firm is able to remain financially viable through the economic cycle, and able to address any material potential harm that might result from its ongoing activities.

There are nine key risk factors that together comprise the KFR. The firm is required to report on the requirements for these in the following groups:

- the sum of K-AUM, K-CMH, K-ASA
- the sum of K-COH, K-DTF
- the sum of K-NPR, K-CMG, K-TCD, K-CON

Given the nature of its business and the permissions it holds, the firm's assessment is that the only requirement derives from its Average AUM.

The K-AUM is 0.02% of its average AUM and the capital requirement from this is £1,704k.

[2] As at 31st December 2024. This has reduced subsequently due to changes in the group structure.

5.5 Summary

Comparing all the above it is clear that the Own Funds Requirement equates to the FOR.

OWN FUNDS REQUIREMENT - Group	£'000
Permanent Minimum Capital Requirement	535
Fixed Overheads Requirement	17,610
K-Factor Requirement	1,704
Total Own Funds Requirement (max of above)	**17,610**

OWN FUNDS REQUIREMENT - PAM	£'000
Permanent Minimum Capital Requirement	75
Fixed Overheads Requirement	1,066
K-Factor Requirement	621
Total Own Funds Requirement (max of above)	**1,066**

The total own funds requirement sets the base level of capital required. A further comparison is made against the value derived for Own Funds Threshold Requirement (OFTR), as part of the ICARA process. The most recent ICARA review conducted by the firm determined an appropriate value for the OFTR of £25,050k (PAM £1,066k).

Since this is higher, it is the value used in determining whether adequate capital is being held.

Template OF1 - Group above shows total own funds of £33,491k, or 133.7% of requirement. (Template OF1 - PAM shows total own funds of £4,248k, or 315.6% of requirement.)

The regulations allow for various grades of capital to be held, with a requirement for a minimum of 56% to be held as CET1. Progeny holds 100% of its capital in the form of CET1 instruments, both within PAM and the Group.

5.6 Liquidity Requirement

The basic liquid assets requirement (BLAR) is determined in accordance with the regulations. It is based on a proportion of a MIFIDPRU investment firm's Fixed Overheads Requirement and any guarantees provided to clients. This is to ensure that a firm has an adequate stock of unencumbered high-quality liquid assets that are readily convertible into cash to meet their liquidity needs.

The Firm is required to maintain an amount of liquid assets, at least equal to the sum of:

- One-third of its Fixed Overheads Requirement, and
- 1.6% of the total amount of any guarantees provided to clients.

The MIFIDPRU regulations define what may be regarded as core liquid assets, all denominated in pound sterling. The relevant items for Progeny are:

- coins and banknotes
- short-term deposits at a UK-authorised credit institution
- assets representing claims on or guaranteed by the UK government or the Bank of England
- trade receivables, (subject to certain conditions)

The group's core liquid assets as at 31 December 2024 were above 1/3 of the Fixed Overheads Requirement as indicated in the table below:

Group	£'000
Core Liquid Assets	21,624
BLAR (1/3 Fixed Overhead Requirement)	5,870
Headroom	15,754

And PAM's core liquid assets as at 31 December 2024 were also above 1/3 of the Fixed Overheads Requirement as indicated in the table below:

PAM	£'000
Core Liquid Assets	1,825
BLAR (1/3 Fixed Overhead Requirement)	355
Headroom	1,470

5.7 ICARA (Internal Capital Adequacy and Risk Assessment)

Whilst the numbers shown in the tables above represent that the absolute minimum values regulatorily required for both capital and liquidity, there is an expectation that the firm assesses the nature and scale of the specific risks associated with its particular business model, and the adequacy of the resources it holds against these, these are determined through ICARA.

6 REMUNERATION POLICY AND PRACTICES

6.1 Overall Approach

The Group's remuneration approach is designed to encourage alignments with effective risk management to ensure that no Progeny Group colleagues are incentivised to act in a way which would undermine effective risk management. Aspects of remuneration which could have an impact on effective risk management include salaries, bonuses, long-term incentive plan, options, hiring bonuses, severance packages and pension arrangements.

Remuneration policies take into consideration the need to align risks in terms of risk management and exposure to risk. Remuneration policies have been developed which,

- Are aligned to the business strategy, objectives, culture and values, and long-term interests of the Firm;
- Do not encourage excessive risk taking; and
- Enable the Firm to align remuneration with effective risk management, particularly for the Firm's staff identified as Material Risk Takers ("MRTs")

The Group has determined the Policy's compliance with the applicable principles set out in SYSC 19G in a way which is appropriate to its size, internal organisation, and the nature, scope, and complexity of its activities.

In line with SYSC 19F, the Firm also ensures that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients.

- The Group has, therefore, designed and implemented its remuneration practices to ensure they do not create any conflicts of interest for its clients.
- Remuneration practices are designed and implemented so as not to create a conflict of interest or incentive that may lead relevant persons to favour their own interest or the Firm's interests to the potential detriment of any client.
- The Firm ensures that such practices are applied, not only to MRTs but on a Firm-wide basis, covering all relevant persons, including front office staff, sales, finance, and operations, as required.

6.2 Governing Body

The Governing Body of the Firm is the 'Board' of Progeny Holdings Limited. The Board is responsible for approving and maintaining this Policy, which aligns the Group's remuneration practices with its risk tolerance. The implementation of this Policy is overseen by the Chief People Officer to whom the Board has delegated authority.

- The Board is responsible for the total process of risk management, which includes the risks which emanate from the way the Firm compensates its employees. The Board, in liaison with all executives and senior management, sets the risk profile of the Firm and its related practices and procedures.
- The Firm's remuneration practices and policy are reviewed at least annually, taking into account the current and future risks (after seeking advice from the Risk and Compliance functions) and the cost and quantity of capital and liquidity required, having regard to the Firm's financial forecasts.

6.3 Material Risk Takers

On an annual basis the Firm identifies those employees whose roles, responsibilities, or professional activities, it considers to have a material impact on its risk profile. On an annual basis the MRTs are informed in writing of their status, and their remuneration must always comply with the code.

6.4 Malus and Clawback

Malus applies for the duration of any vesting or deferral period (e.g. Long-term incentive plans).

Clawback can be applied at the discretion of the Firm in appropriate circumstances (e.g. the individual participated in or was responsible for conduct which resulted in significant losses to the Firm).

6.5 Gender

Equal pay analyses are carried out during the Firm's annual pay review, and remuneration practices are gender neutral.

6.6 Analysis of Remuneration

Annual Remuneration for the year to 31 December 2024 - Group				
	Number of Colleagues	**Fixed Remuneration**	**Variable Remuneration**	**Total Remuneration**
		£000	**£000**	**£000**
Senior Management	25	4,866	643	5,509
Other MRTs	23	1,879	197	2,076
Other Colleagues	596	34,906	6,188	41,094
Totals	644	41,651	7,028	48,679

Annual Remuneration for the year to 31 December 2024 - PAM				
	Number of Colleagues	**Fixed Remuneration**	**Variable Remuneration**	**Total Remuneration**
		£000	**£000**	**£000**
Senior Management	1	210	-	210
Other MRTs	9	765	100	865
Other Colleagues	11	354	78	432
Totals	21	1,329	178	1,507

6.7 Guaranteed Variable Remuneration and Severance Payments

We are required, by MIFIDPRU 8.6.8 R (4), to disclose details of payments of guaranteed variable remuneration and severance payments, paid to MRTs during the year. There were no such payments. It follows that there is nothing to report for the highest severance payment awarded to a material risk taker, as required by MIFIDPRU 8.6.8 R (5)(c).

7 INVESTMENT POLICY

MIFIDPRU 8.7.1 R requires a firm to make disclosure regarding its Investment Policy where the conditions in MIFIDPRU 7.1.4 R are not met. Progeny meets those conditions, and therefore it is not required to make this disclosure.