# Morningstar Wealth Administration Limited
# FRN 463566

MIFIDPRU 8 Disclosure
Year ending **31 December 2025**

# Table of Contents


**1 Introduction and Context ..... 1**

*1.1 Firm Overview ..... 1*

*1.2 Non-SNI Status and Disclosure Requirements ..... 2*

*1.3 Scope & Frequency ..... 2*

*1.4 Significant Changes from Prior Period ..... 3*

*1.5 Media and Location ..... 3*

**2 Risk Management Objectives and Policies ..... 3**

*2.1 Approach to risk management ..... 4*

*2.2 Risk management structure and operations ..... 5*

2.2.1 Risk Management Governance ..... 5

2.2.2 Committees ..... 5

2.2.3 Quarterly Risk Meeting ..... 6

*2.3 Risk Appetite ..... 6*

*2.4 Effectiveness of the Firm's Risk Management Process ..... 6*

**3 Governance Arrangements ..... 6**

*3.1 Governance Structure ..... 6*

*3.2 Governance Framework ..... 7*

3.2.1 The Board's main roles and responsibilities include: ..... 7

3.2.2 Conflict of interest Policy ..... 7

*3.3 Directorship ..... 8*

*3.4 Diversity of the board ..... 8*

*3.5 Risk Committee ..... 9*

**4 Own Funds Disclosures ..... 9**

*4.1 Composition of Regulatory Own Funds ..... 9*

*4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements ..... 11*

*4.3 Main Features of Own funds Instruments Issued by the Firm ..... 12*

**5 Own Funds Requirements ..... 12**

*5.1 Own Funds Requirement ..... 12*

5.1.1 Permanent minimum capital requirement ..... 13

5.1.2 K-Factor requirement ..... 13

5.1.3 Fixed overhead requirement (FOR) ..... 14

*5.2 Approach to Assessing the Adequacy of Own Funds ..... 14*

**6 Remuneration ..... 15**

*6.1 Approach to Remuneration ..... 15*

*6.2 Remuneration Policy* ..... *15*
*6.3 Remuneration Governance* ..... *16*
*6.4 Material Risk Takers (MRT)* ..... *16*
*6.5 Categorisation of Fixed and Variable Remuneration* ..... *17*
*6.6 Remuneration Adjustments* ..... *17*
6.6.1 Risk and Performance Adjustments ..... 18
6.6.2 Risk and Performance Adjustments for Material Risk Takers ..... 18
*6.7 Quantitative Disclosures* ..... *18*
**Appendix A – Statement of Financial Position** ..... **20**
**Appendix B – K-Factors** ..... **21**

# Glossary

| Glossary of Terms and Abbreviations | |
|---|---|
| **Term** | **Definition** |
| ASA | Assets safeguarded and administered |
| CET1 | Common Equity Tier 1 capital |
| CMH | Client money held |
| COH | Client orders handled |
| DEI | Diversity, equity and inclusion |
| DFSA | Dubai Financial Services Authority |
| DTF | Daily trading flow |
| ERM | Enterprise Risk Management |
| EWI | Early warning indicator |
| FCA | Financial Conduct Authority |
| FOR | Fixed overhead requirement |
| ICARA | Internal capital adequacy and risk assessment |
| IFPR | Investment Firm Prudential Regime |
| K-factor | Quantitative metrics used to calculate the own funds requirement under MIFIDPRU 4 |
| MIFIDPRU | The FCA prudential sourcebook for MiFID investment firms |
| MRT | Material risk taker |
| MWAL | Morningstar Wealth Administration Limited |
| Non-SNI | A MIFIDPRU investment firm that does not meet the SNI conditions |
| OFR | Own funds requirement |
| PMR | Permanent minimum capital requirement |
| RGC | Risk & Corporate Governance Committee |
| RI | Recovery indicator |
| RtC | Risk to client — the K-factors capturing the risk of harm to clients |
| RtF | Risk to firm — the K-factors capturing the risk of harm to the firm |
| RtM | Risk to market — the K-factors capturing the risk of harm to the market |
| SNI | Small and non-interconnected MIFIDPRU investment firm |
| SYSC | The FCA's Senior Management Arrangements, Systems and Controls sourcebook |

# 1 Introduction and Context

The Investment Firm Prudential Regime (IFPR) is the prudential framework introduced by the Financial Conduct Authority (FCA) for MiFID investment firms regulated in the United Kingdom. IFPR establishes requirements relating to capital adequacy, liquidity, risk management, governance, remuneration and public disclosures. The detailed rules and requirements are set out within the MIFIDPRU sourcebook of the FCA Handbook.

The public disclosure requirements are contained within MIFIDPRU 8 (Disclosure) and are intended to promote market discipline and transparency by providing stakeholders with information regarding a firm's financial resources, governance arrangements, risk management framework and remuneration practices. The nature and extent of the disclosures required vary depending on a firm's prudential classification under IFPR.

Morningstar Wealth Administration Limited ("MWAL" or "the Firm") is classified as a non-small and non-interconnected (non-SNI) MIFIDPRU investment firm, as it does not meet the criteria for classification as a small and non-interconnected investment firm (SNI) under MIFIDPRU. As a non-SNI firm, MWAL is required to make public disclosures in accordance with MIFIDPRU 8, including information relating to its risk management objectives and policies, governance arrangements, own funds, own funds requirements and remuneration practices.

This document has been prepared in accordance with the disclosure requirements set out in MIFIDPRU 8 and presents the information applicable to MWAL for the reporting period. The disclosures are reviewed and published annually to support transparency and compliance with the FCA's prudential framework. Unless otherwise stated, all figures are presented as at the Firm's 31 December 2025 financial year end.

## 1.1 Firm Overview

MWAL is an investment firm incorporated in England and Wales and authorised and regulated by the Financial Conduct Authority (FCA) as a MiFID investment firm. MWAL administers the Investment Platform Service, providing financial advisers and wealth managers with an online platform through which they can deliver investment and wealth management solutions to their clients.

MWAL is the parent undertaking of a number of wholly owned subsidiary entities operating across wealth management, retirement services, investment management, nominee and trustee activities. Smart Investment Management Limited was previously FCA-authorised; however, its FCA permission was cancelled in March 2026 and the company is expected to be wound up under the legal entity rationalisation. Certain subsidiaries operate as nominee or trustee entities and are established to support the administration, safeguarding and governance of client assets and retirement arrangements. Such entities may not themselves undertake regulated investment activities requiring FCA authorisation. Details of the entities within the MWAL group structure are set out in the table below.

**Table 1: MWAL Group Structure and Regulatory Status**

| Entity Name | Regulated Firm | Jurisdiction | Relationship | Entity Classification | Regulatory Regime |
|---|---|---|---|---|---|
| Morningstar Wealth Administration Limited | **Yes** | United Kingdom | Parent Company | Platform and Custody Services Firm | FCA (IFPR / MIFIDPRU) |
| Morningstar Wealth Retirement Services Limited | **Yes** | United Kingdom | 100% owned Subsidiary | Retirement Services Company | FCA |
| Morningstar Wealth Administration (DIFC Branch) Limited | **Yes** | United Arab Emirates | Branch | Overseas Branch | DFSA |
| Smart Investment Management Limited | **No** | United Kingdom | 100% owned Subsidiary | Investment Management Company | FCA permission cancelled |
| Smartfund Nominees Ltd | **No** | United Kingdom | 100% owned Subsidiary | Nominee Company | Non-Regulated Entity |
| Morningstar Wealth Trustee Limited | **No** | United Kingdom | 100% owned Subsidiary | Trustee Company | Non-Regulated Entity |
| Morningstar Wealth EMA Trustees Limited | **No** | United Kingdom | 100% owned Subsidiary | Trustee Company | Non-Regulated Entity |

| | | | | | |
|---|---|---|---|---|---|
| Morningstar Wealth Retirement Trustees Limited | **No** | United Kingdom | 100% owned Subsidiary | Trustee Company | Non-Regulated Entity |

*Note:*
*1. Smart Investment Management Limited's FCA permission was cancelled in March 2026, and the company is expected to be wound up under the legal entity rationalisation.*
*2. MWAL includes non-regulated nominee and trustee entities established to support the administration, safeguarding and governance of client assets and retirement arrangements.*

# 1.2 Non-SNI Status and Disclosure Requirements

The IFPR classifies MIFIDPRU investment firms as either small and non-interconnected firms (SNI firms) or non-SNI firms, according to whether they satisfy the qualitative and quantitative conditions set out in MIFIDPRU 1.2.1R. The SNI classification is intended for firms with simpler business models and a lower potential to cause prudential harm. A firm that does not satisfy one or more of those conditions is treated as a non-SNI MIFIDPRU investment firm and is subject to the fuller prudential disclosure framework under MIFIDPRU 8.

MWAL does not satisfy the conditions for classification as an SNI firm. The Firm safeguards and administers assets belonging to clients and holds client money. Each of these prevents classification as an SNI firm. MWAL is therefore classified as a non-SNI MIFIDPRU investment firm and is subject to the public disclosure requirements set out in MIFIDPRU 8.

The non-SNI classification determines the scope of MWAL's public disclosure obligations. MIFIDPRU 8 applies to non-SNI MIFIDPRU investment firms and requires disclosure of information that allows stakeholders to understand the Firm's prudential position, risk profile, governance arrangements and remuneration practices. For MWAL, this means disclosing information on risk management objectives and policies, governance arrangements, own funds, own funds requirements, and remuneration policy and practices. Table 2 summarises the implications of MWAL's non-SNI classification, including the key prudential areas that require disclosure under MIFIDPRU 8.

**Table 2: MWAL Non-SNI Classification and Disclosure Requirements**

| Area | MWAL position | Disclosure impact |
|---|---|---|
| SNI eligibility | MWAL does not meet the SNI conditions as it holds client money, safeguards and administers client assets, and has permission to deal on own account. | Section 1.2 Non-SNI Status and Disclosure Requirements. |
| Prudential classification | Non-SNI MIFIDPRU investment firm. | Section 1.2 Non-SNI Status and Disclosure Requirements. |
| Risk management | MWAL must disclose its risk management objectives and policies. | Section 2 Risk Management Objectives and Policies. |
| Governance arrangements | MWAL must disclose relevant governance arrangements. | Section 3 Governance Arrangements. |
| Own funds and own funds requirements | MWAL must disclose the composition of its own funds and its own funds requirements. | Sections 4 Own Funds Disclosures and 5 Own Funds Requirements. |
| Remuneration | MWAL must disclose information on remuneration policy and practices. | Section 6 Remuneration. |
| Audit requirement | MIFIDPRU 8 disclosures are public prudential disclosures and are not required to be independently externally audited. | Section 1.3 Scope & Frequency. |

# 1.3 Scope & Frequency

This disclosure has been prepared by MWAL on an individual entity basis in accordance with the requirements of MIFIDPRU 8.1.7R. As a non-SNI MIFIDPRU investment firm, MWAL is required to make the disclosures contained within this document on a solo basis. Information relating to subsidiaries and branch operations is included, where relevant, to provide context regarding the wider group structure but does not form part of MWAL's prudential disclosures unless otherwise stated.

MIFIDPRU 8.1.10R requires the information contained within this document to be disclosed at least annually and published at the same time as the publication of the Firm's annual financial statements. MWAL reviews the appropriateness of its disclosures on an ongoing basis and may update this document more frequently where there is a material change to its business model, risk profile, regulatory capital position or governance arrangements.

## 1.4 Significant Changes from Prior Period

In accordance with MIFIDPRU 8.1.13R(4), the significant changes to this disclosure compared with the previous period are summarised below.

Section 1.1 Firm Overview has been expanded to include MWAL's group structure and regulatory status. Section 1.2 Non-SNI Status and Disclosure Requirements has also been added to explain MWAL's non-SNI classification and related MIFIDPRU 8 disclosure obligations.

## 1.5 Media and Location

The disclosure document is published on the Firm's website: https://www.morningstar.com/en-gb/business/products/morningstar-managed-portfolios[1]

# 2 Risk Management Objectives and Policies

MWAL operates an Enterprise Risk Management Framework that provides a structured and integrated approach to identifying, assessing, managing, monitoring and reporting risks that could affect the Firm's activities and objectives. Risks are assessed on both an inherent and residual basis, with key controls and mitigating activities documented and evaluated. The Firm maintains an enterprise risk register through which material risks, risk ownership, controls, mitigating actions and risk exposures are recorded and monitored. The Firm's risk management objectives and policies relating to own funds requirement, concentration risk and liquidity risk are set out below,[2] including the strategies and processes used to manage those risks and reduce the potential for harm.[3]

**Own Funds Requirement**

Potential for harm associated with the business strategy:

The Own Funds Requirement ("OFR") determines the minimum level of own funds that MWAL is required to maintain under MIFIDPRU and is the higher of the Permanent Minimum Capital Requirement ("PMR"), Fixed Overhead Requirement ("FOR") and K-factor Requirement ("KFR"). Details of MWAL's OFR are provided in Section 5.1.

As a firm that safeguards and administers client assets and holds client money, insufficient financial resources may impair the Firm's ability to continue providing services to clients, meet its regulatory obligations and support an orderly wind-down. This may result in harm to clients, markets and the Firm.

Strategies and processes used to manage own funds requirement risk:

MWAL monitors its OFR and available own funds on an ongoing basis through its capital management and regulatory reporting processes. The Firm reviews the key drivers of its capital requirement, performs regular capital forecasting and assesses the impact of changes in business activities on its prudential position. As part of its ICARA process, the Firm also assesses whether its financial resources remain adequate to address potential harms arising from its activities. Capital metrics are monitored by management and reported to the Board on a quarterly basis to support compliance with regulatory capital requirements and the timely identification of potential capital pressures.

[1] MIFIDPRU 8.1.1E
[2] MIFIDPRU 8.2.1R
[3] MIFIDPRU 8.2.2R

**Concentration Risk**

Potential for harm associated with the business strategy:

MWAL is exposed to concentration risk arising from its relationships with clients, counterparties, service providers, banking institutions and Morningstar group entities. A change in the financial condition, strategic direction, operational performance or availability of any key relationship may adversely affect the Firm's revenue, profitability, liquidity, operational resilience or ability to deliver services effectively.

Strategies and processes used to manage concentration risk:

MWAL manages concentration risk through ongoing monitoring of its relationships with clients, counterparties, banking institutions, service providers and Morningstar group entities. Concentration risk is monitored on a quarterly basis through the firm's Early Warning Indicator ("EWI") framework and is reported to the Board as part of its regular governance and risk oversight processes. This enables management to identify emerging concentration risks and consider appropriate mitigating actions where necessary.

**Liquidity Risk**

Potential for harm associated with the business strategy:

Liquidity risk refers generally to the Firm's inability to:

- operate within its defined tolerance for risk or cash buffer;
- continue to pay its debts and other obligations as they fall due without incurring excessive cost in order to do so;
- conduct an orderly wind-down of its business should the need arise;
- and realise its assets as may be required to fund the above.

Liquidity risk may arise when the internally assessed liquidity ratio falls below the requirement and an increase in frequency of requests for intra-Morningstar Group funding. This risk is also measured quantitatively and qualitatively.

Strategies and processes used to manage liquidity risk:

To determine the adequacy of the Firm's overall financial resources, the Firm carries out appropriate stress testing and scenario analysis, including taking reasonable steps to identify an appropriate range of realistic adverse circumstances and events in which liquidity risk might occur or crystallise. The firm also monitors the cash resources available and models trading settlements to forecast cash settlement daily, and updates capital and liquidity forecasts on a quarterly basis.

# 2.1 Approach to risk management

The Firm's approach to risk management and corresponding risk management policies are outlined below.[4]

1. Risk governance, including:
    - establishment and maintenance of the Enterprise Risk Management Policy and Enterprise Risk Management Framework;
    - Supporting the development of risk appetite and risk tolerance arrangements and their ongoing monitoring;
    - maintaining the enterprise risk register and supporting risk governance activities; and
    - oversight of enterprise-wide risk management through the Board and associated governance forums.
2. Risk identification and assessment, including:

[4] MIFIDPRU 8.2.3G (1)

- identifying the firm's key risks and emerging risks through management meetings, risk assessments and workshops;
- documenting identified risks within the enterprise risk register;
- assessing risks on both an inherent and residual basis; and
- evaluating the effectiveness of key controls and mitigating activities against identified risks.

3. Risk monitoring and measurement, including:
    - monitoring and investigating operating incidents, and recording them in a database of operating incidents;
    - monitoring material risk exposures, risk trends and mitigation progress through the enterprise risk register;
    - monitoring the effectiveness of key controls, mitigating activities and progress against agreed actions; and
    - overseeing the Internal Capital and Risk Assessment process, including the quantification of regulatory capital requirements.
4. Risk reporting, including:
    - reporting material risk exposures, risk trends and emerging risks to management and governance bodies;
    - maintaining and reporting on the enterprise risk register;
    - reporting on the status and effectiveness of mitigating actions and control improvements;
    - escalating risks that exceed approved risk tolerance parameters;
    - operating incident and breach reporting; and
    - providing periodic reporting on risk management activities, key risk themes and mitigation progress.

## 2.2 Risk management structure and operations

The ultimate governing body of MWAL is the MWAL Board of Directors. The Board meets at least quarterly and receives reports covering the operational, investment, financial and compliance aspects of MWAL's activities. All Executive Board members are subject to the FCA's Senior Managers and Certification Regime.

The Board continues to oversee the Firm's internal controls system's effectiveness. This oversight includes assessment of all material controls, including financial, operational and compliance controls and associated risk management systems. Please note, given the limited activities of the institution and the corporate structure of the Morningstar group, MWAL may be subject to oversight by departments and control functions that have additional responsibilities within the group.

### 2.2.1 Risk Management Governance

The overall responsibility of the risk management policies within the Firm is held by the Board. Its duties and responsibilities are outlined in 3.2.1. The Board meets quarterly or more frequently as needed.

### 2.2.2 Committees

Audit Committee

The Firm has not established an Audit Committee due to its size.

Risk & Corporate Governance Committee

The Firm has established the Risk & Corporate Governance Committee to support the Board in its oversight of the Firm's risk management, internal control and corporate governance arrangements. Further details regarding the Committee and its responsibilities are set out in Section 3.5.

### 2.2.3 Quarterly Risk Meeting

As part of the Firm's risk governance arrangements, Quarterly Risk Meetings are held with department heads, functional leads and risk owners to review the enterprise risk register, emerging risks, changes in risk exposure and progress against mitigating actions. The outcomes of these meetings are documented and reported to the Risk & Corporate Governance Committee for review and challenge. Morningstar, Inc. Enterprise Risk Management (ERM) attends these meetings in a support capacity and assists with the maintenance and reporting of enterprise risk information.

## 2.3 Risk Appetite

Risk appetite is established at the Morningstar, Inc. Group level and approved by the Morningstar, Inc. Board at least annually. The Group Risk Appetite Statement sets the overarching parameters within which MWAL manages risk. Where the MWAL Board determines that a more restrictive risk appetite is appropriate, taking into account the Firm's activities, objectives and risk profile, it is responsible for establishing and overseeing the relevant local limits, controls and governance arrangements.

This approach is applied through the Firm's Enterprise Risk Management Framework, which categorises risks as Strategic Risk, Operational Risk, Legal and Regulatory Risk, Technology Risk, and People & Culture Risk. Risk tolerances support the monitoring and management of exposures within these categories and guide escalation and management action where appropriate. Risk tolerances are reviewed periodically to ensure they remain aligned with the Firm's objectives, operating environment and risk profile.

## 2.4 Effectiveness of the Firm's Risk Management Process

The effectiveness of MWAL's risk management and internal control environment is assessed through a combination of governance, oversight and review mechanisms set out in the Firm's Enterprise Risk Management Framework.[5] These include the maintenance of the enterprise risk register, which is updated and reviewed at Quarterly Risk Meetings to monitor emerging risks, progress on mitigating actions, and changes in risk exposure. Outcomes from these meetings, together with thematic updates on risk management, are reported to and challenged by the Risk & Corporate Governance Committee. This oversight enables the Board to form a view on whether the Firm's processes remain appropriate for the nature and scale of its activities. The Board reviews the Firm's Enterprise Risk Management Framework and Enterprise Risk Management Policy periodically to ensure they remain appropriate for the Firm's objectives, operating environment and risk profile.

# 3 Governance Arrangements

## 3.1 Governance Structure

[5] MIFIDPRU 8.2.3G (4)

MWAL is a firm based in London, UK. The Firm's immediate parent undertaking is Morningstar Wealth Portfolio Services Limited, a company incorporated in the United Kingdom, and its ultimate parent undertaking is Morningstar, Inc., headquartered in Chicago, United States. Morningstar, Inc. provides ongoing support and commitment to the Firm. MWAL also has several subsidiaries based in the UK and a regulated branch in Dubai, United Arab Emirates.

## 3.2 Governance Framework

The Board is the governing body of MWAL and has the ultimate management authority and responsibility of the Firm and its activities. The Firm ensures that its management body defines, oversees, and remains accountable for the implementation of governance arrangements that support effective and prudent management. These arrangements include the segregation of duties within the organisation, the management of conflicts of interest, and are designed to uphold market integrity and protect client interests.[6]

### 3.2.1 The Board's main roles and responsibilities include:

The Board ensures effective and prudent management of the firm including segregation of duties, as well as:

a) Oversee related risk management arrangements to ensure effectiveness of risk identification and management;
b) Oversee compliance with the applicable rules of the FCA and other organisations, as they apply to the Firm;
c) To consider the adequacy of the arrangements established to ensure compliance with the Rules and Guidance of the FCA and/or other regulatory bodies, as appropriate;
d) To assess the risk management strategy of the Firm and, where appropriate, to ensure that risks are adequately managed;
e) To ensure the compliance function is adequately resourced and has appropriate standing and independence within the Firm; and
f) To consider other topics, as defined by the Board from time to time.

### 3.2.2 Conflict of interest Policy

Morningstar Wealth UK, which includes MWAL, applies a conflict of interest policy which is reviewed and acknowledged by the Board on a periodic basis.

In accordance with Morningstar Wealth UK policy,[7] a conflict of interest may occur where the entity/entities and/or an employee has an interest (personal or professional) that conflicts with the interests of any of Morningstar Wealth UK's clients.

Conflicts may arise between Morningstar Wealth UK and its clients, between Morningstar Wealth UK and other members of the group, between an employee and Morningstar Wealth UK, and between clients of Morningstar Wealth UK. Such conflicting interests may make it difficult for Morningstar Wealth UK or the employee to fulfil their

[6] SYSC 4.3
[7] MIFIDPRU 8.3.1.R (1)

duties impartially and can create an appearance of impropriety that may undermine confidence in Morningstar Wealth UK or the individual, even if no unethical or improper act results from the conflict.

Policy provides clear requirements and restrictions relating to the identification, reporting, management, and mitigation of conflicts of interests to ensure awareness and understanding of the associated regulatory obligations. Consequently, potential conflicts are managed through measures including but not limited to:

- Employees disclosing information linked to potential conflicts of interest via the My Compliance Office system.
- Directors disclosing details of any identified conflicts of interest at the commencement of quarterly board meetings.
- Maintenance of a Morningstar Wealth UK specific conflicts of interest register.
- Under certain circumstances, disclosure of identified conflicts of interest to clients.
- As required, appropriate segregation of duties.

## 3.3 Directorship

The Board meets on a quarterly basis, or more frequently as needed. As of 31 December 2025, the Board was comprised of the following [8]:

**Table 3: Directorship**

| Name | Title | Number of External Directorships |
|---|---|---|
| Mark Sanderson | **Managing Director, Wealth EMEA** | 0 |
| Chris Divito | **Non-Executive Director** | 2 |
| Ben Lester | **Head of Distribution - UK & International** | 0 |

## 3.4 Diversity of the board

The objective of the policy

Morningstar's strong commitment to equal opportunity requires a commitment from every employee and so Morningstar enshrines diversity and inclusion within its code of ethics, which is applicable to all employees, including employees of the Firm and members of the Board of Directors of each firm within the Morningstar group. [9]

- Policy is set at a global level, and we have a process in place around hiring that address this
- Before a director is appointed to the Board, the Firm undertakes a due diligence review of the candidate's background, competence and qualifications.

Assessment of objective achievement

- In 2024, we updated our board retirement policy so that the mandatory retirement age of 73 only applies

[8] MIFIDPRU 8.3.1R (2)
[9] MIFIDPRU 8.3.1R (4)

after a member has served a 10-year term[10]

- The Firm recognises that the current composition of the management body does not reflect the broader objectives of the DEI policy. At present, the Board consists solely of executive directors who are all white males, with one non-executive representation. While this structure ensures direct accountability and operational focus, it does not yet meet the wider diversity aims articulated at group level.

Assessment of shortfalls, proposed actions and timeline

The principal shortfall is the lack of diversity (gender, ethnicity, and background) in the composition of the management body. To address this, the Firm intends to:

- Recruitment: Review succession planning and director recruitment processes with a view to broadening candidate pools and improving representation.
- EDI data: Enhance collection and monitoring of diversity data at the management body level to provide a baseline and measure progress.
- Governance: Consider the appointment of independent non-executive directors to strengthen diversity, independence, and oversight.

The Firm will report annually on progress and work with the Morningstar group to ensure that recruitment and appointment processes for the Board align with both group DEI objectives and local regulatory expectations.

## 3.5 Risk Committee

Risk & Corporate Governance Committee

The Firm has established the Risk & Corporate Governance Committee to support the Board in its oversight of the Firm's risk management, internal control and corporate governance arrangements. The Committee reviews matters within its remit and makes recommendations to the Board. The Committee meets at least quarterly and the Board retains overall responsibility for risk management and corporate governance.

The Risk & Corporate Governance Committee's key duties and responsibilities include:
a) reviewing the effectiveness of the Firm's systems, processes and internal controls;
b) promoting ethical and responsible decision-making across the Firm;
c) overseeing the Firm's approach to meeting its legal, regulatory and stakeholder obligations; and
d) supporting the establishment and maintenance of sound risk management, risk oversight and internal control arrangements.

# 4 Own Funds Disclosures

## 4.1 Composition of Regulatory Own Funds

The Own funds disclosures presented below are made in line with the template requirement set out in MIFIDPRU 8.4 and MIFIDPRU 8 Annex 1R. Compared to the prior reporting period, there have been no significant changes to the composition or main features of own funds.

[10] Morningstar (2025) Corporate Sustainability Report 2025. Available at: https://www.morningstar.com/company/corporate-sustainability (Accessed: 28 September 2026).

As at 31 December 2025, to meet its regulatory obligations, MWAL held Own funds of £4,943 thousand (£4,288 thousand in 2024). The Firm's own funds comprise entirely Common Equity Tier 1 capital. The composition of own funds is set out below.[11]

**Table 4: Regulatory Own Funds Summary**

| Own funds (in £'000s) | | |
|---|---|---|
| **MWAL** | **As at 31 December (000's)** | **As at 31 December (000's)** |
| | **2025** | **2024** |
| **Equity per Statement of Financial Position** | | |
| Share capital | 2,150 | 2,150 |
| Share premium | - | - |
| Retained earnings | 4,495 | 3,331 |
| Other reserves | - | - |
| **Total equity (i)** | **6,645** | **5,481** |
| **Regulatory adjustments** | | |
| Investments in subsidiaries | (1,702) | (1,193) |
| Intangible assets | - | - |
| Deferred tax assets that rely on future profitability | - | - |
| **Total regulatory adjustments (ii)** | **(1,702)** | **(1,193)** |
| **Total regulatory own funds (i) + (ii)** | **4,943** | **4,288** |

The table below outlines the regulatory capital of the MWAL in accordance with the relevant references from the balance sheet in the audited financial statements:

**Table 5: Composition of own funds**

| | Item | Amount (in £'000s) | Amount (in £'000s) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
|---|---|---|---|---|
| | | 31-Dec-25 | 31-Dec-24 | |
| **1** | **OWN FUNDS** | **4,943** | **4,288** | |
| **2** | **TIER 1 CAPITAL** | **4,943** | **4,288** | |
| **3** | **COMMON EQUITY TIER 1 CAPITAL** | **4,943** | **4,288** | |
| 4 | Fully paid up capital instruments | 2,150 | 2,150 | Statement of Changes in Equity (Page 18) |
| 5 | Share premium | | - | |
| 6 | Retained earnings | 4,495 | 3,331 | Statement of Changes in Equity (Page 18) |
| 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** | **-1,702** | **-1,193** | **Note 10 Investments in subsidiaries (Page 37)** |
| 19 | CET1: Other capital elements, deductions and adjustments | | | |
| **20** | **ADDITIONAL TIER 1 CAPITAL** | | **-** | |
| 21 | Fully paid up, directly issued capital instruments | | - | |
| 22 | Share premium | | - | |

[11] MIFIDPRU 8.4.1R (1)(a)

| | | | | |
|---|---|---|---|---|
| **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 | - | - | |

An extract from the audited financial statements showing the Firm's statement of financial position (balance sheet), with relevant references as noted in the table above, can be found in Appendix A.

## 4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The table below describes the reconciliation with Own funds in the balance sheet as at 31 December 2025, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.[12]

**Table 6 - Own funds: reconciliation of regulatory Own funds to balance sheet in the audited financial statements**

| | | Balance sheet as in published/audited financial statements (GBP Thousands) | Balance sheet as in published/audited financial statements (GBP Thousands) | Cross reference to template OF1 |
|---|---|---|---|---|
| | | As at 31 December 2025 | As at 31 December 2024 | |
| **Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements** | | | | |
| 1 | Investments in Subsidiaries | 1,702 | 1,193 | Item 11 |
| 2 | Tangible assets | 616 | 826 | |
| 3 | Debtors: amounts falling due within one year | 2,653 | 3,394 | |
| 4 | Deferred tax asset | 7 | - | |
| 5 | Cash at bank and in hand | 5,95 | 5,082 | |
| **6** | **Total Assets** | **10,931** | **10,495** | |
| **Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements** | | | | |
| 7 | Creditors: amounts falling due within one year | 4,073 | 4,709 | |
| 8 | Creditors: amounts falling due after more than one year | 213 | 280 | |
| 9 | Deferred tax liabilities | | 25 | |
| | | | | |
| **10** | **Total Liabilities** | **4,286** | **5,014** | |
| **Shareholders' Equity** | | | | |
| 10 | Share capital | 2,150 | 2,150 | Item 4 |
| 11 | Share premium account | - | - | Item 5 |
| 12 | Other reserves | - | - | Item 8 |
| 13 | Retained earnings | 4,495 | 3,331 | Item 6 |
| **14** | **Total Shareholders' equity** | **6,645** | **5,481** | |

[12] MIFIDPRU 8.4.1R (1)(b)

## 4.3 Main Features of Own funds Instruments Issued by the Firm

The table below provides information on the CET1 Instruments issued by MWAL.

| Table 7: MWAL Main Features of Own Instruments | |
|---|---|
| **Main Features of Own Instruments** | **Description** |
| **Instrument type** | Ordinary shares |
| **Public or private placement** | Private |
| **Governing law(s) of the instrument** | United Kingdom |
| **Regulatory capital classification** | Common Equity Tier 1 (CET1) |
| **Amount recognised in regulatory capital (£'000)** | 2,150 |
| **Nominal amount of instrument (£'000)** | 2,150 |
| **Accounting classification** | Share capital |
| **Perpetual or dated** | Perpetual |
| **Position in capital structure** | Ordinary shares rank behind all creditors and other liabilities in the event of a winding up |
| **Ownership** | 100% of the issued share capital is held by Morningstar Wealth Portfolio Services Limited, the Firm's immediate parent undertaking |
| **Dividend rights** | Dividends are discretionary and subject to shareholder approval |
| **Terms and conditions** | The ordinary shares carry standard voting and economic rights in accordance with the Firm's Articles of Association |

# 5 Own Funds Requirements

## 5.1 Own Funds Requirement

MIFIDPRU sets out the Own Funds Requirement that investment firms must maintain at all times. In accordance with MIFIDPRU 4.3, the Firm is required to hold Own Funds equal to or greater than its Own Funds Requirement on an ongoing basis. As a non-SNI investment firm, MWAL's Own Funds Requirement is the highest of the following:

- Permanent Minimum Requirement (MIFIDPRU 4.4R)
- Fixed Overhead Requirement (MIFIDPRU 4.5R)
- K-Factor Requirement (MIFIDPRU 4.6R)

| Table 8: Own Funds Requirement | | | |
|---|---|---|---|
| **Own Funds Requirement** | | **31 December 2025 (000')** | **31 December 2024 (000')** |
| **Permanent Minimum Requirement (i)** | | **150** | **150** |
| **Fixed Overheads Requirements (ii)** | | **1,151** | **1,390** |
| **K-Factor Requirement** | ∑ K-AUM, K-CMH and K-ASA | 1,908 | 1,733 |
| | ∑ K-DTF and K-COH | 20 | 17 |

| | | | |
|---|---|---|---|
| | ∑ K-NPR, K-CMG, K-TCD and K-CON | - | - |
| **Total K-Factor Requirement (iii)** | | **1,928** | **1,750** |
| **Own Funds Requirement (Higher of (i), (ii), (iii))** | | **1,928** | **1,750** |

MWAL held sufficient Own funds throughout the year to cover this minimum regulatory obligation. The Firm held excess Own funds of £3,015 Thousand (2024: £2,538 Thousand) over the regulatory Own funds requirement as at 31 December 2025. The K-Factor requirement has increased because of Net new business and market movements.

The three components of the Own funds requirements are discussed further below.[13]

## 5.1.1 Permanent minimum capital requirement

The Permanent Minimum Requirement (PMR) represents the minimum amount of own funds that an investment firm must maintain at all times under the MIFIDPRU prudential regime. MWAL's PMR is £150k, reflecting the Firm's FCA permissions to hold client money and to safeguard and administer client assets. Although the Firm also has permission to deal on own account, this activity is not currently carried on. Accordingly, MWAL is subject to a PMR of £150k rather than the higher PMR applicable to investment firms undertaking dealing on own account activities.

The PMR forms part of the Firm's Own Funds Requirement under MIFIDPRU and must be maintained at all times.

## 5.1.2 K-Factor requirement

The K-factor requirement is designed to ensure that the Firm's own funds requirement is proportionate to the potential harm arising from its regulated investment services and activities. The framework captures risks that could result in harm to:

- the Firm, through its trading activities and market participation (Risk to Firm);
- clients, through the services provided and responsibilities undertaken by the Firm (Risk to Client); and
- the markets in which the Firm operates and its counterparties (Risk to Market).

K-factors are observable and quantifiable metrics that act as proxies for these risks. Each applicable K-factor is calculated by applying a prescribed coefficient to a relevant business metric, with the results aggregated to determine the overall K-factor requirement.

Under the MIFIDPRU framework, only Non-SNI firms are required to calculate K-factors as part of their capital requirement assessment. While MWAL is authorised to deal on own account, the Firm does not currently carry on this activity. Consequently, the Risk-to-Firm (RtF) and Risk-to-Market (RtM) K-factors are not applicable to the Firm's current business model, and the K-Factor Requirement comprises only the applicable Risk-to-Client (RtC) K-factors set out below.

- **Client assets safeguarded and administered ('K-ASA')** – this captures the risk of harm where a firm holds client assets and provides custody services, but there is no investment management relationship.

[13] MIFIDPRU 7.4.7R

- **Client money held ('K-CMH')** – this captures the risk of harm where a firm holds client money in segregated of non-segregated accounts.
- **Client orders handled ('K-COH')** – this captures the risk to clients of a firm executing orders in the provision of execution-only dealing services, whether in relation to cash trades or derivatives.

The K-Factor requirement for the Firm as at 31 December 2025 is broken down in the table below:

**Table 9: K-Factor Requirement**

| | 31 December 2025 (000') | 31 December 2024 (000') |
|---|---|---|
| ∑ K-AUM, K-CMH and K-ASA | 1,908 | 1,733 |
| ∑ K-DTF and K-COH | 20 | 17 |
| ∑ K-NPR, K-CMG, K-TCD and K-CON | - | - |
| **Total K-Factor Requirement** | **1,928** | **1,750** |

A more detailed description of the various K-Factors can be found in Appendix B.

## 5.1.3 Fixed overhead requirement (FOR)

The purpose of the FOR is to ensure that firms hold a minimum amount of capital to support an orderly wind-down. As determined by MIFIDPRU 4.5, the FOR is calculated as one quarter of the Firm's relevant expenditure for the preceding financial year, equivalent to approximately three months' worth of expenditure. . Relevant expenditure is the total expenditure before distribution of profits and firms may deduct certain items of variable expenditure such as staff bonuses, if fully discretionary.

As at 31 December 2025, the Firm's FOR was £1,151 thousand (2024: £1,390 thousand).

# 5.2 Approach to Assessing the Adequacy of Own Funds

The K-factor requirements and FOR, as determined above, establish the regulatory minimum level of Own funds which the Firm is required to hold. In addition, the Firm also undertakes analysis to confirm that the level of Own funds and liquid resources that it holds are sufficient to cover areas of potential harm that may result from its specific activities and business model.[14] The overall financial adequacy rule as set out in MIFIDPRU 7.4.7 requires that the Firm must, at all times, hold Own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that 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 the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants. A summary of this approach is as follows:

**Internal Capital Adequacy and Risk Assessment (ICARA) Process and Material Harm Identification**
In line with the rules set out in MIFIDPRU 7, the Firm has in place an ICARA process which seeks to identify all material harms that could result from the ongoing operation of the business, or from the winding-down of the business, and to establish the amount of capital and liquid assets required to cover those potential harms.

[14] MIFIDPRU 8.5.2R

**Risk Management and Control Framework**
MWAL's risk management and control framework enables the identification, mitigation, and monitoring of risks to the business and consideration of potential harms to clients, the firm, and the wider financial markets. The ICARA process reflects the Firm's risk management framework, incorporating assessment of its business model planning and forecasting, stress and scenario testing, recovery planning and wind-down planning.

**Capital Coverage Risk Appetite**
The Firm's board has set a capital coverage risk appetite aimed at ensuring that the amount of Own funds held exceeds the higher of the assessed internal capital threshold requirement and the prescriptive Own funds requirement, together with an additional margin for prudence.

**Monitoring and Compliance with Financial Adequacy**
The Firm complies with the overall financial adequacy rule by regular monitoring of its capital and liquidity positions in comparison to the calculated threshold requirements, and by regular monitoring of risk exposures and associated metrics. This allows implementation of timely management action as and when appropriate to ensure continuing compliance, including updated assessments at least annually of threshold requirements to reflect emerging exposures and material changes in the business and risk and control environment.

**Review and Governance of the ICARA Process**
The Firm reviews the adequacy of the ICARA process at least once every 12 months, and (irrespective of the annual review) following any material change in the business model or operating model. Its governance structure provides significant oversight of the business and the ability to raise issues with relevant subject matter experts, and to discuss and implement appropriate management actions as and when required. The ICARA risk-based assessment typically generates a higher requirement than the Own funds requirement noted above. Throughout the year, the Firm held a sufficient level of Own funds and liquid resources to cover the threshold requirements calculated through its ICARA processes.

# 6 Remuneration

## 6.1 Approach to Remuneration

The Firm's Remuneration Policy is applicable to all the staff of MWAL, to the extent specified. SYSC 19G.1.24G provides that the term "staff" should be interpreted broadly to include, for example, employees of the firm itself, partners or members (in the case of partnership structures), employees of other entities in the group, employees of joint service companies, and secondees.

## 6.2 Remuneration Policy

The Firm's Remuneration Policy outlines the policies and processes of remuneration for all the Firm's staff. The policy aims to reflect the Firm's business philosophy of maintaining sound operational and regulatory systems and controls and a strong Compliance culture. The Remuneration Policy is reviewed by Compliance and the Board on an at least an annual basis in order to ensure that the terms are in line with current regulatory requirements.

As the governing body, the Board must discharge effective oversight to enable the Firm's arrangements to strengthen prudent risk-taking measures, ensure related conflicts of interest are managed and promote good

conduct. Furthermore, the Board ensures prudential obligations, capital requirements, and liquidity management are considered accordingly when determining remuneration paid to employees.[15]

It is the Firm's intention that its Remuneration Policy:

- Discourages risk-taking beyond the Firm's risk appetite;
- Discourages behaviours leading to misconduct and poor customer outcomes;
- Supports good behaviours and healthy firm culture; and
- Establishes and promotes sound and effective risk management practices.

The Remuneration Policy is reviewed at least annually, or as necessary. Policy review is prepared by Compliance and submitted to the Board for review and approval.

It is MWAL's intention that its Remuneration Policy sets out the arrangements, to ensure remuneration is awarded in accordance with regulatory and internal standards. The high- level objectives of the policy are:[16]

- to establish arrangements promoting sound and effective risk management practices, for the long-term interest of the Firm;
- to align the level of accepted firm risk to the awarding of individual rewards, thereby enabling and managing the effective promotion and delivery of performance-based rewards; and
- to support good behaviour and healthy firm culture; and discourage behaviours leading to misconduct and poor customer outcome.

## 6.3 Remuneration Governance

The Compensation Committee of the Firm's ultimate parent, Morningstar, Inc. is responsible for oversight of the Firm's remuneration policy and practices. In addition to the Compensation Committee, input regarding remuneration is also provided by the Board of Directors of the ultimate parent, Morningstar, Inc. and the Board of Directors of the Firm.

The Compensation Committee and the Board of Directors of Morningstar, Inc. are responsible for ensuring that proposed remuneration is in line with the Firm's performance, determined by comparison to both financial and non-financial criteria. The Board of Directors of the Firm are responsible for ensuring that the proposed remuneration is aligned with the Firm's risk approach and all applicable regulatory requirements.

## 6.4 Material Risk Takers (MRT)

A material risk taker is defined in SYSC 19G.5.1R as a staff member at a non-SNI MIFIDPRU investment firm whose professional activities have a material impact (as described in SYSC 19G.5.3R) on the risk profile of the firm, or of the assets that a firm manages.[17]

[15] MIFIDPRU 8.6.3
[16] MIFIDPRU 8.6.5
[17] MIFIDPRU 8.6.4R

As required in SYSC 19G.5.2R, MWAL assesses which members of its staff are material risk takers at least annually, or more frequently as required, including when staff leave or join the Firm. For the performance year 2025, the Firm identified three material risk takers.

## 6.5 Categorisation of Fixed and Variable Remuneration

MWAL is required to make a clear distinction between the criteria for setting its fixed and variable remuneration within the Firm. The Firm operates a flexible Policy whereby remuneration is appropriately balanced and the fixed award is expected to be a higher proportion of the total Remuneration.[18] Should an exception be identified where the variable component exceeds that of the fixed component, during a financial period, this exception should be highlighted and presented to the Board for review. Fixed remuneration is set at an appropriate level which ensures that staff are not reliant on variable pay and thus are not incentivised to take excessive risk.

Variable remuneration within the Firm may include cash and/or share-based bonuses provided by the below schemes: [19]

- Morningstar Global Bonus Pool;
- Sales Commission; and
- Equity (Restrict Stock and Morningstar Stock Units).

With the exception of the Morningstar Global Bonus Pool, which is available to all permanent employees, the schemes are subject to eligibility criteria based on role and business unit type. All employees have an element of fixed remuneration to their overall compensation packages. Variable employee remuneration and similar incentives must not be solely, or predominantly, based on quantitative commercial criteria and must take into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients, the quality of services provided to clients, and include sustainability and risk adjusted performance measures. As applicable, these criteria is set within each employee's objectives and includes financial and non-financial components. Consequently, bonus funding and related payment to employees is dependent on several factors, notably overall firm and associated business line performance and then taking the employee's individual performance factors both quantitative and qualitative, accordingly into account.

On occasion, the Firm is permitted to make discretionary awards of variable remuneration to employees, including Material Risk Takers, potentially constituting sign on bonuses, retention awards, severance payments or buy out awards. Such awards must be subject to approval by the Morningstar's People and Culture team and the MWAL Board, and a suitable rationale must be documented.

## 6.6 Remuneration Adjustments

MWAL policy permits the adjustment of variable remuneration to take account of specific, crystallised risk, or adverse performance outcomes, specifically those relating to misconduct, serious reputational damage, or significant financial loss. As necessary, the MWAL Board would appoint the appropriate control function to investigate and determine if adjustments are necessary, potentially including clawbacks of variable remuneration awarded. Under Firm policy, the period for potential clawbacks is three years from payment.

[18] MIFIDPRU 8.6.7G
[19] MIFIDPRU 8.6.6R

## 6.6.1 Risk and Performance Adjustments

Assessment of MWAL's remuneration arrangements is integral to the internal capital adequacy and risk assessment (ICARA) process. The ICARA is an ongoing assessment, formally documented annually that considers the key risks identified as applicable to the activities of the Firm and the potential impact these may have on MWAL's prudential obligations. Remuneration, and the associated consideration that related structures may promote excessive risk taking, is specifically integrated into the ICARA process.

The allocation of variable remuneration takes into account all types of current and future risks, including non-financial risks, in accordance with the MIFIDPRU Remuneration Code. The related structures and processes would be adjusted accordingly, should the overall current and future risk appetite be potentially compromised by the established remuneration arrangements.

## 6.6.2 Risk and Performance Adjustments for Material Risk Takers

In order to comply with MIFIDPRU Remuneration Code, the Firm is required to have in place processes through which it can, if necessary, reduce the variable remuneration of a material risk taker. The Board reviews proposed remuneration awarded to Material Risk Takers for the annual reporting period and determines whether any proposed increase in fixed remuneration and/or granting of variable remuneration, breaches policy requirements. Should any potential breaches be identified, the MWAL Board will escalate the concerns to Morningstar's Compensation Committee for immediate review. If MWAL policy has been breached, the MWAL Board will request a risk-based adjustment to the relevant Material Risk Taker's proposed remuneration award.

Severance payments may be made to material risk takers at the sole discretion of the Firm and will be assessed strictly in line with the requirements of the MIFIDPRU Remuneration Code. MWAL's Remuneration Policy states payment of such awards requires approval from Morningstar's People and Culture team and the MWAL Board.

## 6.7 Quantitative Disclosures

**Table 10: Total amount of remuneration awarded to senior management, other material risk takers and other staff**

| | Total MRT's Identified | 2025 Fixed remuneration (GBP Thousands) | 2025 Variable remuneration (GBP Thousands) |
|---|---|---|---|
| Senior Management | 3 | 425 | 263 |
| Other Material Risk Takers | - | - | - |
| Other staff | N/A | 828 | 335 |
| **Total** | | **1,253** | **598** |

The table above details the remuneration, split between fixed and variable remuneration, of the Material Risk Takers (MRTs) employed by MWAL. The Firm did not award any guaranteed variable remuneration or make any severance payments to MRT during the performance period.

# Appendix A – Statement of Financial Position

## MORNINGSTAR WEALTH ADMINISTRATION LIMITED
## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2025

**Registered number: 06016828**

| | Note | 2025 £ | 2024 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiaries | 10 | **1,701,677** | 1,192,511 |
| Tangible assets | 11 | **615,797** | 826,265 |
| | | **2,317,474** | 2,018,776 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 12 | **2,653,536** | 3,394,307 |
| Cash at bank and in hand | 13 | **5,953,355** | 5,082,382 |
| | | **8,606,891** | 8,476,689 |
| Creditors: amounts falling due within one year | 14 | **(4,073,103)** | (4,708,927) |
| **Net current assets** | | **4,533,788** | 5,786,538 |
| Creditors: amounts falling due after more than one year | 15 | **(213,245)** | (280,267) |
| Deferred tax asset/(liability) | 16 | **6,999** | (25,332) |
| **Net assets** | | **6,645,016** | 5,480,939 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | **2,150,000** | 2,150,000 |
| Retained earnings | 18 | **4,495,016** | 3,330,939 |
| **Shareholders' funds** | | **6,645,016** | 5,480,939 |

The financial statements were approved by the Board of directors and authorised for issue on 22 April 2026.

Signed by:
Mark Sanderson
213EFA4D621D489...

**M Sanderson**
Director

# Appendix B – K-Factors

| Term | Harm | Explanation |
|---|---|---|
| K-ASA | Client | K-ASA (Assets Safeguarded and Administered) – is the K-factor requirement for the amount of Own funds assigned against the risk of harm associated with the safeguarding and administering of a client's financial instruments. |
| K-AUM | Client | K-AUM (Assets Under Management) is the K-factor requirement for the amount of Own funds investment firms are required to hold against risks associated with managing assets for clients. It covers both assets managed on a discretionary portfolio management basis and assets under an ongoing non-discretionary advisory arrangement. |
| K-CMG | Market | K-CMG (Clearing Margin Given) is an alternative to K-NPR to provide for market risk for firms that deal on Own account or execute for clients in the name of the investment firm It is based on the total margins an investment firm is required to give to a clearing member and can only be used with the agreement of the FCA. |
| K-CMH | Client | K-CMH (Client Money Held) is designed to capture the risk of an investment firm causing potential harm to clients where it holds their money. It takes into account whether the funds are recorded on the investment firm's Own balance sheet or in third party accounts, and arrangements provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. |
| K-COH | Client | K-COH (Client Orders Handled) is the K-factor Own funds requirement designed to cover potential risks from both the execution of orders in the name of the client and the reception and transmission of client orders. |
| K-CON | Firm | K-CON (Concentration Risk) is an Own funds requirement that only applies to exposures in the trading book for investment firms that deal on Own account or execute for clients in the name of the investment firm. It seeks to provide additional Own funds to manage concentration risk to a single counterparty or group of connected counterparties. |
| K-DTF | Firm | K-DTF (Daily Trading Flow) is an Own funds requirement that applies to investment firms that are dealing on Own account, including where executing client orders in the name of the investment firm. It is designed to capture operational risks related to the value of trading activity an investment firm conducts throughout each business day. It excludes the value of orders handled which are already captured by K-COH. |
| K-NPR | Market | K-NPR (Net Position Risk) is the K-factor that applies to firms that deal on Own account or execute for clients in the name of the investment firm. It provides for market risk and is based on the market risk framework (standardised approach, or if applicable, internal models) of the Capital Requirements Regulation. |
| K-TCD | Firm | K-TCD (Trading Counterparty Default) is a K-factor Own funds requirement that only applies to investment firms dealing on their Own account or execute for clients in the name of the investment firm. It aims to capture risks from trading counterparties failing to meet their obligations to the investment firm. |