

Internal Capital Adequacy and Risk Assessment (ICARA) Document Financial Year Ending 31 December 2025

Introduction and Overview of ICARA

In line with the requirements of the Investment Firms Prudential Regime (IFPR), Alder Investment Management Limited (AIM) has conducted and documented its ICARA Process. The ICARA is linked to our business planning, overall risk management and capital management, with each of these components informing the others. We look at each individual component further on in this document.

The ICARA, which is in place to ensure we have enough capital to withstand adverse financial consequences of crystallised operational risks, will be updated annually or upon material change of AIM's business or operating model. It is an ongoing process that the firm monitors, and it has been completed in line with regulatory expectations, subject to senior management review and challenge. It discusses the business model, forward planning, risk management, capital and liquidity planning, threshold requirements and assessments, remuneration structure, fraud controls, safeguarding of client money and assets, senior management responsibilities and wind down planning capital requirements. The firm has concluded that it is fit for purpose.

This report, which documents the key elements of AIM's ICARA, has been prepared on behalf of Alder Investment Management Limited, a MIFIDPRU Investment Firm. It represents, along with any referenced associated documents, the ICARA Document as required by the regulations. It is both forward and backward looking, using data and information from 2025 to inform thresholds and risk assessments for 2026.

Business Model and Planning

AIM has been classified as a "non-small non-interconnected (non-SNI) firm". It would be a "small non interconnected (SNI) firm" if it did not hold Client Money and/or Client Assets, and if it had AUM consistently under £1.2bn.

AIM's business model and strategy are basic and straight-forward; providing Discretionary Investment Management services to the wider Vestey family, alongside certain low risk unregulated related services. This simple business model means that the firm's risk appetite does not need to be above 'low', however should the possibility of undertaking a higher level of risk arise, this would be discussed at Board level. A Strategic Review is carried out at minimum every two years. The next Strategic Review will take place in April 2026.

The activities carried out by AIM are those which allow it to perform the role of Discretionary Investment Manager, and as set out in the FCA register - [Alder Activities FCA Register](#). The most material of these activities from a risk perspective is the Safeguarding and administration of assets (without arranging), followed by Managing Investments. Both of these activities are assessed in the ICARA through the K-factor calculations.

Risk Management

AIM is a small company with a simple business model – to provide investment management and other non-regulated auxiliary services to the wider Vestey Family. As such the risk of harm associated with the business strategy is very low.

As part of the ICARA process, AIM maintains an Operational Risk Matrix. The matrix is a fluid document that is habitually considered and amended as necessary in the event of a material trigger. It is officially reviewed on a six-monthly basis by the owners of each risk (namely the SMF16 and each member of the Management Committee) and presented to the Board annually.

In relation to each risk, the matrix documents the source, type, definition, area impacted (risk of harm to either client, market or firm), relevant Consumer Duty Outcome, the mitigants and controls, probability, impact, a RAG rating, any target mitigants, the owner of the risk and the direction the risk has moved since the last review. A heatmap is incorporated to help more easily focus on those risks which are considered most relevant. The Operational Risk Matrix operates effectively and is proportionate to our business model and requirements.

We have not applied an associated cost to every risk as the circumstances could vary so much in practice, including many instances where there would be no immediate capital requirement. These would be assessed on a case-by-case basis should the need arise.

We have identified three risks against which an associated cost could reasonably be estimated based on empirical knowledge and/or published data. These estimates will be subject to constant review and may be amended throughout the year, but are currently set as follows:

- **Cyber Risk:** In November 2025, the UK Government's Department for Science, Innovation and Technology stated that KPMG estimates the average cost of a significant cyber attack (classed as a successful attack with a cost of at least £500) for an individual business in the UK (averaged across all firm sizes and sectors) to be almost £195,000. As such we have increased our associated cost of cyber risk to £200,000.
- **Trading Error Risk:** Depending on the impact of a trading error, the firm would either utilise its own funds or draw on insurance, the excess in such circumstances being £75,000. We appreciate that it is not always wise to rely on the timeliness and availability of insurance payouts, however the two examples of trading errors we can point to over the last six years drew a cost of just under £30,000 for the first and £350 for the second, and we would not feel comfortable setting our associated cost that low. We have therefore multiplied the higher of these costs by 2.5, which coincides with the insurance excess of £75,000.
- **Supplier Risk:** Having previously dealt with an issue generated by a supplier error and in consideration of additional potential expenses, we are able estimate the cost of supplier risk to be approximately £200,000.

While it is unlikely that these events would all occur simultaneously, AIM holds significant funds above the combined total of £475,000 and above its regulatory requirement. This would cover most eventualities, and certain situations would be covered by the company's professional indemnity insurance. In addition and importantly, AIM is owned 100% by Alder Asset Management (AAM), an unregulated non-trading company. AAM holds sufficient assets to assist AIM with any unexpected liabilities.

We will continue to assess whether there are any further identified risks to which a meaningful cost estimate can be assigned.

Risks relating to Own Funds Requirements, Concentration Risk and Liquidity are considered as part of the Capital and Liquidity planning.

Capital and Liquidity Planning

Every quarter the firm's management accounts are produced by the Financial Controller and reviewed by the Board. These accounts comprise the balance sheet, cash flow and results to date, along with a P&L forecast (revised as applicable) for the remainder of the financial year. The Board provides challenge as appropriate. Stress testing is carried out as part of the Strategic Review.

These management accounts demonstrate that we have adequate available own funds and liquid assets. A quarterly cash flow calculation also produced by the Financial Controller contains the firm's assessment of its threshold requirements. These figures have been reported in AIM's MIF returns throughout the course of the year.

On average, the firm holds between three and three and a half times its Own Funds Threshold Requirement and the Board would provide strenuous challenge should funds drop significantly. Consideration of credible risk would depend on speed and circumstance, but it would be reasonable to suggest that a risk of breach would begin to arise should funds drop below £2m.

Due to the firm's billing cycle, liquidity gradually reduces throughout the year until it is replenished in Q4. At the lowest point in Q3, AIM has comfortably higher liquid assets than the Liquid Assets Threshold Requirement set out below. In addition, AAM has reserves invested in liquid NURS funds which could be divested and transferred to AIM should the need arise.

Threshold Requirements and Assessments

Own Funds Threshold Requirement

The firm's 'threshold requirement' is the higher of its Permanent Minimum Requirement (PMR), the K-factor requirement (KFR), and the Fixed Overhead Requirement (FOR).

The PMR is £150,000 - this is set by the regulator based on a firm's regulatory permissions.

The KFR is the total of a number of calculations, as set out below:

- K-AUM – This refers to the total funds (or 'Assets') under management over which AIM has discretion. This includes funds for which AIM has custody and those for which it doesn't. The K-AUM figure is calculated by taking 0.02% of the 'rolling average' of a specified data set of month end values. This figure will therefore vary each quarter, but for example in the last return dated December 2025 was £318,284.
- K-CMH – This refers to Client Money (i.e. not invested) for which AIM has custody. The K-CMH figure is calculated by taking 0.4% of the 'rolling average' of a specified data set of month end averages, which are themselves an average of the daily totals for each month. This figure will therefore vary each quarter, but for example in the last return dated December 2025 was £257,666.

- K-ASA – This refers to Client Assets (i.e. invested) for which AIM has custody. The K-ASA figure is calculated in the same way as the K-CMH figure, except taking 0.04%. The figure in the last return dated December 2025 was £394,149.

The KFRs for the four quarterly reports of 2025 were:

- March – £997,134
- June - £1,034,363
- September - £999,597
- December - £970,099

The FOR is the total operating costs for the year ('Staff costs' and 'other operating costs' in the statutory accounts) divided by four as specified by the regulator.

Consistently throughout 2025, the FOR has been higher than the PMR and KFRs, at £1,348,680, making this AIM's Own Funds Threshold Requirement.

Basic Liquidity Requirement

The firm's 'basic liquidity requirement' is set by the regulator to be one third of its FOR, which has been £449,560 for 2025.

Liquid Assets Threshold Requirement

The 'liquid assets threshold requirement', is calculated by the firm in accordance with FCA guidance. It is the higher figure of the estimated forecast cash-flows and the requirements of wind down. For 2025, this was the estimated forecast cash-flows, set at £1,326,174. For transparency, the estimated requirement to begin an orderly wind down is £842,632.

AIM holds funds in excess of the firm's Own Funds Threshold Requirement. The firm also has liquid assets in excess of the firm's own Liquid Asset Threshold Requirement.

Remuneration Structure

AIM's remuneration structure is simple and straightforward, with no variable remuneration paid or other incentives that could engender poor decision making.

Fraud Controls

AIM has in place a number of mitigants and controls in relation to fraud and cyber-enabled fraud, as set out in the Financial Crime Risk Assessment which is reviewed and approved by the board at least annually. These include but are not limited to the Anti-Fraud Policy, the Cyber Security Policy, Cyber Crime and Anti-Fraud awareness training, four eyes checks on payments, client call-backs and authorised signatory lists.

Safeguarding of Client Money and Client Assets

Client money and client assets are held in line with the FCA's CASS rules. No client money or assets are combined with the firm or firm's parent's own money or assets. Client Money Acknowledgement Letters are in place in accordance with the CASS rules for each client bank account. Client money reconciliations are carried out on a daily basis and client assets reconciliations are carried out monthly. The CASS Audit, carried out by Moore Kingston Smith LLP in February 2026, is expected to highlight a number of operational recommendations but early indications do not give rise to significant areas of concern.

Senior Management Responsibilities

The accounting reference date for this ICARA report is 31 December 2025. The ICARA document has been created by the SMF16 and the Financial Controller. On 9 April 2026 it will be reviewed by the Audit Committee and is expected to be recommended to the wider board for approval (to be completed by 29 April 2026). The subsequent MIF007 submission date is 30 April 2026. On a quarterly basis the Board reviews the management accounts, which are prepared and monitored by the Financial Controller. The Operational Risk Matrix is reviewed on at least a six-monthly basis by the SMF16 and the Management Committee (comprising the two Executive Directors, the Financial Controller and the Head of Operations), and is presented to the Board annually.

Wind-down Planning Capital Requirements

Using an adaptation of the 2026 budget, taking into account all known expenditure and commitments, and making various adjustments in consideration of differing potential circumstances, the firm has determined that it would require approximately £842,632 to commence an orderly wind-down. Full details of this proprietary calculation have been provided to the board under separate cover.

31/03/2026