SP Angel Corporate Finance LLP

Pillar III Disclosures

As at 30 September 2019

Introduction

SP Angel Corporate Finance LLP ("SP Angel" or the "Firm") is authorised and regulated by the Financial Conduct Authority ("FCA"). SP Angel is an IFPRU 125 firm, a Nominated Adviser ("Nomad") for AIM purposes and a member of the London Stock Exchange.

Regulatory capital framework

The disclosures in this document are prepared in accordance with the Capital Requirements Directive (CRD IV). In the United Kingdom, CRD IV has been implemented by the Financial Conduct Authority (**"FCA"**) in its regulations through the General Prudential Sourcebook (**"GENPRU"**) and the Prudential Sourcebook for Investment Firms (**"IFPRU"**). Under CRD IV, the regulatory capital framework consists of three pillars:

Pillar I specifies the minimum amount of capital that a financial services firm is required to maintain to support its business;

Pillar II requires the firm to assess the need to hold additional capital in respect of any risks not adequately covered under Pillar 1;

Pillar III specifies the disclosures which the firm is required to make to enable market participants to assess information about its capital, its risk exposures and its risk management processes.

Basis and frequency of disclosure

The Firm has an accounting reference date of 30 September and the information in this document has been prepared as at 30 September 2018. The disclosures are not subject to audit and have not been independently verified but have been reviewed and approved by the Firm's Partners (who are its senior management).

The Pillar III disclosures are made annually and published on the Firm's website (www.spangel.co.uk) as soon as practicable after completion of the annual financial statements, unless circumstances warrant update on a more frequent basis.

Business Structure

SP Angel is a UK based limited liability partnership and commenced trading in 2006. There are no other operating entities owned by it.

The Firm’s business comprises the provision of investment banking services including corporate finance, Nomad and corporate broking services, to public and private companies.

It also undertakes a low level of secondary market trading in UK equities (predominantly small cap) with institutional clients and under MiFID II may provide access to investment research and research analysts for institutional clients.

Statement of Risk Appetite

The Firm’s risk appetite is determined by the Partners and reviewed at least annually as part of its review and documentation of its Internal Capital Adequacy Assessment Process (ICAAP).

The Partners have set an overall risk appetite for the Firm as medium to low reflecting the advisory based nature of its services, its split of revenue between retainers and transaction fees, the Firm’s reputation in the market and the experience of the Partners.

Risk Management

Under IFPRU 2.2.27, a firm must have in place sound, effective and comprehensive strategies, processes and systems that enable it to identify and manage the major sources of risks to its business and operations, including risks in each of the categories set out below where they are relevant to the firm:

Risk categories relevant to the Firm:

- Credit and counterparty risk
- Market risk
- Liquidity risk
- Operational risk
- Concentration risk
- Business risk

Risk categories not relevant to the Firm:

- Residual risk
- Securitisation risk
- Interest rate risk
- Risk of excessive leverage
- Pension obligation risk
- Group risk

The Partners review the risks facing the Firm and the controls and procedures that have been put in place to mitigate and manage them. The evaluation of these risks, the establishing of risk management procedures and policies to control them and the assessment of the adequacy of these controls is the responsibility of the Partners.

The taking on of new clients and new business is subject to a thorough review process which is controlled by the New Business Committee. New clients are also subject to a thorough legal, regulatory and anti-money laundering review prior to the Firm transacting with them.

The monitoring and controlling of risk is a fundamental part of the Firm's management process. At least annually, through the ICAAP process, the risk assessment is reviewed and documented and a determination made of the level of internal capital required to be maintained by the Firm in the light of the risks identified (Pillar 2 capital).

Risk Assessment

The major risks affecting the Firm's business identified during the ICAAP include:

Business Risk/ Concentration risk

Business risk is the risk to a firm arising from changes in its business, including:

a. the risk to earnings posed by falling or volatile revenues;

b. the broader risk of a firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors; and

c. the risk that a firm may not be able to carry out its business plan and desired strategy.

Key elements of business risk that are relevant to SP Angel's business model are (i) volatility and uncertainty in its revenue levels from transaction income; (ii) confidence of investors in stock markets generally and the natural resources sectors specifically (where the Firm has a significant concentration of clients) and their willingness to invest in fundraisings; and (iii) regulatory risk to the Firm as a whole.

The risk is mitigated by the Firm's level of stable, recurring retainer income, the level of expertise of its employees in the Resources sector and its process of controlling the taking on of new clients and transactions.

In addition, the Firm has a well-established set of procedures and policies to ensure compliance with its regulatory obligations.

The Firm does not consider its remuneration policy to be a significant element of business risk as it is not an IFPRU investment firm, does not have any trading operations and does not reward employees for high risk/high return activities. The Firm's remuneration policy is discussed further below.

Liquidity Risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Liquidity risk is relevant to the Firm as its transaction based revenue is variable and unpredictable whilst costs are broadly fixed.

Liquidity risk is mitigated and controlled through the Firm's level of stable, recurring retainer income and through the regular monitoring and forecasting of its liquidity position. The Firm retains a level of capital and liquid resources in excess of its regulatory requirement in order to provide a suitable buffer.

Credit Risk

Credit risk is the risk that a counterparty will cause financial loss to the Firm by failing to meet its contractual obligations. For SP Angel, this relates to non-payment by clients of fees owed by them to the Firm.

Credit risk is controlled through the process of approving new clients and transactions and through the close monitoring of outstanding debts.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The Partners acknowledge that operational risk cannot be completely eliminated but seek to minimise the likelihood and impact of such risks.

The most significant elements of operational risk identified include:

- Competition from other advisory firms and brokers;
- Reputational damage through the actions of the Firm or its employees or its clients;
- Dependence on key employees.

As part of its ICAAP review, the Firm conducts stress tests and scenario analyses to assess the adequacy of its capital resources under different operating conditions and outcomes.

Own Funds and Capital Requirements

The Firm calculates and reports its capital resources, capital requirements and capital ratios in accordance with FCA regulations as set out in IFPRU.

Capital Resources

As at 30 September 2019, based on the Firm's audited accounts, the Firm's capital resources were £1,100,000 which is comprised solely of Tier 1 Capital. No items are required to be deducted from Tier 1 Capital. The Firm does not have Tier 2 or Tier 3 Capital.

Capital Requirement

As at 30 September 2019, the Firm's Pillar 1 capital requirement was £788,000. This is based on three months fixed overheads which exceeds its base requirement of €125,000.

The Pillar 2 capital requirement was calculated at 755,000.

Remuneration policy

These disclosures are made in compliance with Article 450 of Capital Requirements Regulations (Regulation EU no 575/2013).

SP Angel's remuneration policy is determined by the Partners with no input from external advisers, and reviewed annually. It is designed to attract and retain high quality individuals having regard to the Firm's business objectives and strategy and its values (including risk appetite) and culture.

The Partners meet at least twice a year to consider base salary levels and performance awards to all employees. Performance awards are based on an individual's overall contribution to the Firm's performance, taking into account both monetary and non-monetary considerations, and the overall level of profit of the Firm.

Remuneration disclosures for the year ended 30 September 2019

The Firm operates as a single business unit comprising an integrated broking and advisory business. SP Angel is subject to the FCA's Remuneration Code and is categorised as a Proportionality Level 3 firm and as such has determined to disapply the rules relating to payment in the form of shares or equivalent instrument, deferral, performance adjustment and the ratio between fixed and variable remuneration.

For the year ended 30 September 2019

Number of Employees	20
Fixed remuneration	£ 1,896,000
Variable remuneration (Cash)	£ 151,000
Sign on payments	0
Severance payments (5 employees)	£ 49,000
Highest severance payment to an individual	20,000
Number of employees earning more than €1 million	0