

Astin Capital Management Ltd.

Pillar 3 Disclosure under the European Commission's Capital Requirements Directive:

Introduction

There are three supervisory pillars set out in the revised Basel Accord, which have been written into European Law through the Capital Requirements Directive ('CRD'). The third pillar requires firms to publish certain details on the risks to the business, the risk management process and on the adequacy of capital held.

In accordance with the draft of the third pillar on disclosure, the FSA Handbook (section BIPRU 11.5) details the technical criteria required to implement the relevant articles of the Banking Consolidation Directive and the Capital Adequacy Directive necessary for Astin Capital Management Ltd. as a BIPRU Investment Firm (an investment firm as defined by the FSA within the banks, building society and investment firm prudential standards). All disclosures are detailed below, omitting items only where they are considered immaterial, i.e. where omission does not influence the assessment or the economic decisions of readers.

The disclosure requirements cover four areas: the scope of the requirements, risk management, the capital resources in the business and the compliance with the Basel Accord's Pillar 1 and Pillar 2 Capital Adequacy rules.

Scope of Application of the Requirements of the Banking Consolidation Directive

Scope of Application of the Disclosures

The disclosures in this document are made in respect of Astin Capital Management Ltd, which is authorised and regulated by the Financial Services Authority. Astin Capital Management Ltd. is wholly owned by its directors and/or their family affiliated entities and was originally established to provide investment management services to unregulated collective investment schemes as well as arranging capital market transactions for clients. Astin Capital Management Ltd. prepares its own financial statements that are consistent with its prudential accounts. The 2010 accounts have been audited by KPMG Audit plc.

Risk Management Objectives and Policies for each Separate Category of Risk

Risk

There is a clearly defined organisational structure and there are documented processes in place to reduce all types of risks to the business. Management reports are used to monitor the financial strength and the various risks to which the business is exposed. This information is scrutinised by the Board of Directors and the control procedures are overseen and under regular review. Additionally Astin's human resources are aware of their individual responsibilities and encouraged to actively participate in the monitoring of the business's control arrangements.

Scope and Nature of Risk Reporting and Risk Measurement

Risks are reported internally by way of detailed management reports distributed to all appropriate individuals on a timely basis. There are reports on performance including P&L, Cash Flow estimates, the management accounts and budgeting analysis. The Board-approved ICAAP document is used to communicate Astin's Internal Capital Adequacy Assessment Process to the FSA, which is based primarily on risk analysis that is summarised in a risk matrix and again under the "Strategies and processes to manage risk" section below.

Policies for Mitigating and the Processes for Monitoring Risk

Astin undertakes a formal annual review of the risk matrix to ensure that it is up to date and to determine whether the arrangements over its systems and controls remain effective and appropriate. However, risks to the business are under constant consideration by management and processes are re-assessed and revised as and when necessary. Additionally Astin has regular compliance monitoring and annual audits of its financial information.

Strategies and Processes to Manage Each Risk

The business risk of a drop in the number of completed capital market transactions is continually monitored to determine the impact a decline would have on financial viability. Different economic scenarios have been modelled to assess the impact of business or economic downturns on the financial performance as part of the formal Internal Capital Adequacy Assessment Process (ICAAP). Budgets are reviewed and adjusted regularly to reflect changes in circumstances.

The operational risk of losses caused by error, negligence, fraud or theft by internal staff or resulting from inadequate internal systems or the loss of key human resources is negligible but dealt with nevertheless with controls. The business employs segregation of duties over the different functions and process stages. There is supervision, review, and regular human resource training. Internal arrangements are supported with appropriate disaster recovery and business continuity plans. The robust processes in place are continually re-evaluated and documented and have been effective to date.

The third party risk of damage to the business's reputation by associating with clients or service providers that fail to meet the terms of agreements or to comply with industry best practice is mitigated by way of KYC (B) procedures, regular interaction with the service providers and review of all information provided by them. Anti -Money Laundering training is given to keep staff aware of the requirement to report all suspicions of wrong-doing. A conflicts policy and a register are circulated to reduce the likelihood of conflicts of interest and all personal account dealings are submitted for pre-approval.

The credit risk of counterparties failing to make payments as they fall due is considered to be very low as the main counterparties are the investment vehicles and client transactions.

The liquidity risk of not having sufficient financial resources available to meet obligations as they fall due or to secure such resources only at excessive cost is mitigated by the fact that the business is balance-sheet solvent (i.e. assets are greater than liabilities). Astin has sufficient cash for the business to meet its obligations over a minimum 3-month period. Management accounts are reviewed on a monthly basis and the solvency position is monitored by projecting costs and budgeting for them.

The market risk of a fall in market values of equity and debt related securities ultimately impacts Astin's fee income from capital market activities. Astin does not undertake dealing on its own account but has exposure to market conditions through the impact on the value of the assets under management as Astin's fees are based on a percentage of these funds.

Capital Resources

The value of equity capital and audited reserves is £359,000 as at 31 December 2010. The capital resources are comprised of core Tier 1 capital only: £300,000 of profit and loss reserves and £59,000 of eligible equity capital. There are no deductions and no Tier 2 or Tier 3 capital.

Terms and Conditions of the Capital Resources

Tier 1 Equity capital is not repayable on the resignation of a Director or any employee. Compliance with the Basel Accord's Pillar 1 and Pillar 2 Capital Adequacy Rules

Assessing the Adequacy of Internal Capital

The ICAAP document is the method by which firms communicate their Internal Capital Adequacy Assessment Process to the FSA and is updated at least annually. In accordance with Pillar 2 of the Basel accord, the purpose of the ICAAP document is to inform the firm's Board of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

These risks and controls are summarised in the "Strategies and processes to manage risk" section above. In addition, to rigorously forecast profitability, there is a detailed scenario analysis that shows performance given different potential events that reduce income over a projected period. Following the internal risk and capital requirement analysis it has been concluded that no additional capital is required.

Capital Resource Requirement

The Capital Resource Requirement (CRR) is the FSA-prescribed method of calculating a firm's capital in terms of its adequacy to cover the perceived risks. Astin Capital Management Ltd has an excess over the minimum regulatory capital requirements as stipulated under FSA Pillar 1 guidance: the liquid capital is greater than the CRR, which is equivalent to the Fixed Overhead Requirement (FOR).

The CRR has been determined as the FOR and not the sum of the 'credit risk capital requirement' and the 'market risk capital requirement' as the FOR is greater (under GENPRU 2.1.45R Calculation of the variable capital requirement for a BIPRU firm). The Pillar 1 FOR, based on the audited expenses for the year to 31 December 2010, has been calculated as £216,000. Liquid capital is £216,000 and therefore there is an excess of £113,000 over the fixed overhead requirement.

Disclosure in relation to the 'market risk capital requirement' and the 'credit risk capital requirement' is considered immaterial (under BIPRU 11.3.5R Exemption from disclosure: Materiality) as the FOR is the greater capital requirement.