



### 1. REGULATORY CONTEXT

This document serves to meet the Pillar 3 disclosures required by the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") specifically BIPRU 11.3.1R and BIPRU 11.3.3R. These rules implement in the United Kingdom the Capital Requirements Directive ("CRD"), which represents the European Union's application of the Basel Capital Accord-Basel II.

The regulatory aim of the disclosures is to improve market discipline.

The CRD requirements have three pillars:

- Pillar 1 deals with minimum capital requirements that must be held;
- Pillar 2 deals with the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory Review and Evaluation Process through which the firm and regulator satisfy themselves on the adequacy of capital held by the firm in relation to the risks it faces, and;
- Pillar 3 deals with public disclosure of risk management policies, capital resources and capital requirements.

### 2. IMPORTANT INFORMATION ABOUT THE PREPARATION OF THESE DISCLOSURES

- This document has been prepared for the sole purpose of disclosing how Seven Investment Management Limited has assessed and documented its policy to achieve compliance with certain capital requirements and managed risk and for no other purpose.
- Policies are regularly reviewed but readers should be aware that this document is based on historical information.
- The information contained herein has been reviewed by the Firm's management. It has not been audited by the Firm's external auditors and does not therefore constitute any form of financial statement. It must not therefore be relied upon in making any judgment on the Firm.
- This disclosure will be updated annually after the audit of the year-end statutory accounts and financial statements, unless there is a material change to the Firm's business strategy or scale of operations.
- This disclosure will be published on our public website.

### 3. BACKGROUND TO THE FIRM

Seven Investment Management Limited is incorporated in the UK (registered no. 04092911) and is authorised and regulated by the Financial Services Authority ("FSA") (ref. 471293) as an investment firm. It is not authorised to hold client money or assets. The Firm, which is not part of any larger group, is categorised under the UK prudential rules as a "BIPRU€50K" "limited licence" firm.

### 4. SUMMARY OF ACTIVITIES AND MAIN RISKS

The Firm's main activities are the provision of a discretionary investment management service to retail investors, investment management for a range of authorised retail funds and the operation of an investment platform for financial advisors. The principal risk that may impact on the Firm would be a prolonged period of unfavourable market conditions through the impact of such a scenario on its fee income and the flow of new assets

### 5. SPECIFIC REQUIRED DISCLOSURES

#### BIPRU 11.5.1R - DISCLOSURE OF RISK MANAGEMENT OBJECTIVES AND POLICIES

Our general risk management objective is to identify, assess and mitigate appropriately the risks inherent in the Firm's business activity through the implementation of systems and controls overseen by a robust governance structure and to ensure that sufficient capital to cover all relevant risk is held at all times.



The Board of Directors is the Governing Body of the Firm and has management and oversight responsibility. It meets quarterly and as at 31 December 2009 was composed of:

Non-Executive Chairman:	I.N. Lovett
Chief Executive Officer and Director:	T.G. Sheridan
Chief Financial Officer and Director:	C.E. Sparrow
Director:	J.A. Urquhart Stewart
Director:	G.A. Stott
Non-Executive Director:	A.C. Gillies
Non-Executive Director:	S.W. Foster
Non-Executive Director:	F. Mackle

The Firm's Management Committee decides the Firm's risk appetite which is subject to review by the Board. The Management Committee is responsible for the establishment and maintenance of an effective, ongoing process to identify risks, to measure potential impact and to frequently assess the effectiveness of those controls.

- The Firm has a conservative attitude to risk but accepts that certain risks are inherent to the business model.
- These risks are mitigated and managed through tried and tested systems and controls.
- The Firm has identified material risks and has undertaken scenario analysis and stress tests on these risks as detailed in the ICAAP.
- Overall, there is a low level of risk and therefore the Board has set an annual frequency for review of the ICAAP.

#### BIPRU 11.5.2R – DISCLOSURE ON THE SCOPE OF THE APPLICATION OF DIRECTIVE REQUIREMENTS

The Firm is not part of any group and therefore submits reports for accounting and prudential purposes to the regulator on an unconsolidated basis.

#### BIPRU 11.5.3 R - DISCLOSURE ON CAPITAL RESOURCES

##### Pillar 1 Capital

Tier 1 capital comprises called up share capital, share premium, non-cumulative irredeemable preference share capital and the audited profit and loss account. The carrying value of the goodwill recognised on the balance sheet is deducted in arriving at Tier 1 capital. Losses for the 2009 year are also deducted (until they will be recognised within the audited reserves of the company with effect from 30 April 2010).

Tier 2 capital comprises the long term subordinated loan that the company has drawn down (up to the value of 50% of Tier 1 Capital less deductions). This subordinated loan facility is provided by Allied Zurich Holdings Ltd and Aegon plc. A total of £2,600,000 is available for drawdown at 10 business days notice and there is no security for this loan. Interest of 8% is payable on any amount of loan drawn down and a fee of 0.19% p.a. is charged on the undrawn balance. The loan outstanding falls due for repayment each year on 31 December but is available for drawdown again immediately thereafter.

Tier 3 capital comprises the remaining part of the long term subordinated that cannot be recognised as Tier 2 capital (i.e. the excess Tier 2 capital)

<b>Tier 1 capital resources:</b>	<b>£000s</b>
Permanent share capital	6
Share premium account	11,515
Non-cumulative preference shares	3,650
Profit and loss account and other reserves	(3,010)
<b>Total tier 1 capital before deductions:</b>	<b>12,161</b>
Less: Intangible assets – goodwill	(10,349)
Current year losses	(255)
<b>Total tier 1 capital after deductions:</b>	<b>1,557</b>



Tier 2 capital resources:	£000s
Subordinated loan	778
Total tier 2 capital:	778
Total tier 1 plus tier 2 capital after deductions:	2,335

#### Tier 3 Capital

Excess Tier 2 capital – remaining subordinated loan	422
Total capital resources after deductions	2,757

Regulatory Capital as at 31st December 2009	GBP '000
Total Tier 1 capital after deductions	1,557
Total Tier 2 capital	778
Total Tier 3 capital	422
FSA Capital Resource Requirement (CRR)	2,145
Surplus	612

  

Solvency Ratio (%)	128.5%
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#### BIPRU 11.5.4 R -DISCLOSURE ON COMPLIANCE WITH BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7 AND BIPRU 10 AND THE OVERALL PILLAR 2 RULE

##### BIPRU 3 - DISCLOSURE ON STANDARDISED CREDIT RISK

The Firm has adopted the standardised approach and the simplified method of calculating risk weights.

##### BIPRU 4 - DISCLOSURE ON INTERNAL RATINGS BASED APPROACH

The Firm does not adopt the Internal Ratings Based approach and therefore this is not applicable

##### BIPRU 6 - DISCLOSURE ON OPERATIONAL RISK REQUIREMENT

This disclosure is not applicable because the Firm is a limited licence firm and therefore is not subject to the Operational Risk Requirement

##### BIPRU 7 - DISCLOSURE ON MARKET RISK

This disclosure is not applicable because the Firm does not take any positions on its own account

##### BIPRU 10 - DISCLOSURE ON CONCENTRATION RISK REQUIREMENTS

The Firm has adopted the standardised approach and closely monitors all exposures to ensure that the regulatory required thresholds are not exceeded.

#### DISCLOSURE ON OVERALL PILLAR 2 RULE

Following submission of the ICAAP to the regulator and the SREP then performed by the regulator it was agreed that individual capital guidance should be set at 116% of the expenditure based requirement. Procedures are in place to monitor adherence to this guidance.

##### BIPRU 11.5.5 R - DISCLOSURE ON RETAIL EXPOSURES

This disclosure is not required because the Firm does not have exposures of this nature.

##### BIPRU 11.5.6 R - DISCLOSURE ON EQUITY EXPOSURES

This disclosure is not required because the Firm does not have exposures of this nature.

#### BIPRU 11.5.7 R - DISCLOSURE ON COUNTERPARTY RISK

This disclosure is not required because the Firm does not take principal positions and does not therefore have exposures of this nature.

#### BIPRU 11.5.8/9 R - DISCLOSURE ON CREDIT RISK AND DILUTION RISK

The Firm's primary credit risks would be:

- the failure of the client custodian, Pershing Securities Limited ("PSL"), to remit pay client fees which are accrued on a quarterly basis. PSL is a subsidiary of Bank of New York Mellon Corporation which has a strong credit rating which is regularly reviewed by the Firm.
- the failure of the Authorised Corporate Director, Capita Financial Limited ("CFL"), of the funds to which the Firm provides investment management services to remit fee which are accrued on a monthly basis. CFL is part of a strongly capitalised group whose standing is regularly reviewed by the Firm.

The Firm has no current or past impaired exposures.

#### BIPRU 11.5.10 R - DISCLOSURE ON CALCULATING RISK WEIGHTED EXPOSURE -STANDARDISED APPROACH

This disclosure is not required because the Firm has not adopted the standardised approach. Instead the Firm uses the Simplified method of calculating Risk Weights.

#### BIPRU 11.5.11 R - DISCLOSURE ON CALCULATING RISK WEIGHTED EXPOSURE -IRB APPROACH

This disclosure is not required because the Firm does not have exposure of this nature.

#### BIPRU 11.5.12 R - DISCLOSURE ON MARKET RISK -TRADING BOOK

This disclosure is not required because the Firm takes no principal positions.

#### BIPRU 11.5.13 R - DISCLOSURE ON USE OF THE VaR MODEL

This disclosure is not required because the Firm does not use a VaR model for the calculation of the Market Risk Capital Requirement.

#### BIPRU 11.5.14 R - DISCLOSURE ON OPERATIONAL RISK

In line with the requirements for our prudential category, our Pillar 1 Capital Resources Requirement is equal to the Firms' expenditure based requirement adjusted in line with Individual Capital Guidance provided by the regulator.

#### BIPRU 11.5.15 R - DISCLOSURE ON NON-TRADING BOOK EXPOSURES IN EQUITIES

This disclosure is not required because the Firm does not have non-trading book exposure to equities.

#### BIPRU 11.5.16R - DISCLOSURE ON EXPOSURES TO INTEREST RATE RISK IN THE NON-TRADING BOOK

The Firm has no significant exposure to interest rate fluctuations.

#### BIPRU 11.5.17R - DISCLOSURE ON SECURITISATION

This disclosure is not required because the Firm does not securitise its assets.