

Acumen Financial Planning Limited

RISK PROFILE DISCLOSURE

**CAPITAL RESOURCES DIRECTIVE
BASEL II PILLAR 3 DISCLOSURE**

22/12/2008

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INTRODUCTION

Acumen Financial Planning Limited (the firm) is classified as a Limited Licence €125,000 firm and, as such, is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). The three Pillars that make up the Capital Requirements Directive are set out below.

Capital Requirements Directive		
Pillar 1	Pillar 2	Pillar 3
Minimum Capital Requirements	Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP)	Disclosure

This document is designed to satisfy the requirements of Pillar 3 by setting out the firm’s risk management objectives and policies.

The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements for investment firms and credit institutions that will allow other market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are to be made public for the benefit of the market.

The firm does not use the IRB Approach when calculating its Credit Risk Capital Component.

The firm is not subject to consolidated supervision.

All figures in this document are correct at 31st October 2008 unless stated otherwise.

RISK MANAGEMENT POLICIES AND OBJECTIVES

The firm is an independent financial planning practice which has recently varied its permissions to allow it to undertake discretionary management of client's assets and to hold and control client money. The firm is a specialist wealth management and financial planning division within the operations of the Acumen Group which principally provide accountancy and financial planning services to SME companies and individuals. It is fully integrated within the wider management and risk control processes operating within the Group

The firm generally has a relatively conservative outlook when assessing the risks relating to its business and business development strategies. There are no plans for the firm to change this outlook in the foreseeable future.

Where possible, the firm will attempt to manage all the risks that arise from its operations. As the firm is a Limited Licence €125,000 firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. However, the firm has separately considered the risks associated with its business and these are detailed later in this document.

The ways in which the firm manages the risks faced include producing key risk information and indicators to measure and monitor performance and using a management team to monitor and control specific risks.

RISK MANAGEMENT FUNCTION

Structure

The management team comprises the Managing Director, Head of Financial Planning and the Compliance Manager who meet informally on a daily basis to discuss any relevant matter relating to the business. More formal meetings are held on a monthly basis to discuss the financial management accounts. The management team are supported by external compliance consultants who are well versed in the regulatory and risk issues.

Risk Reporting and Management Systems

There are a number of reports and processes that are employed by the firm to enable key risks to be identified, reported to appropriate personnel for consideration and, where required, action and managed. These include:

Compliance Risk Assessment

This is an assessment of all relevant risks that the firm is likely to face in the next twelve months and is performed on an annual basis. The report is presented to the firm's governing body for review and approval and is used as the basis for the firm's compliance monitoring for the following period.

Compliance Resource Assessment

This assessment determines the level of internal compliance resource required by the firm for the period covered by the compliance risk assessment and will identify shortfalls in resourcing that could lead to compliance weaknesses and breaches. This is performed annually and is presented to the firm's governing body for review and approval.

Money Laundering Risk Assessment

A forward looking annual assessment of the risks the firm faces from money laundering and wider financial crime. The MLRO will use this assessment to drive the necessary anti financial crime initiatives within the firm.

Compliance Oversight Officer's Report

An annual consideration of the standard of the firm's compliance over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

MLRO Report

An annual consideration of the standard of the firm's anti money laundering and other financial crime practices over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

Inward Risk Assessment

An annual consideration both present and forward looking of Business Risks, Crime Risks, Disaster Risks, Information Technology Risks, Legal Risks, Regulatory Risks, Systems and Operational Risks and Appointed Representative Inherent Risks. The findings are presented to the firm's governing body for consideration and action as necessary.

CAPITAL RESOURCES

The firm’s capital resources comprise entirely share capital and audited reserves.

Pillar 1

As at 31 October 2008 the Firm held regulatory capital resources of £216,305. This comprised core Tier 1 capital of £167,465 and Tier 3 capital of £48,648.

The firm is a limited licence firm, and as such its capital requirements are the greater of:

- Its base capital requirement of 125,000 euros
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement ('FOR').

As at 31 October 2008 the Firm’s Pillar 1 capital requirement was £167,465. This has been determined by reference to the Firm’s FOR and calculated in accordance with the FSA’s General Prudential Sourcebook ('GENPRU') at GENPRU 2.1.53. The requirement is based on the FOR since at all times this exceeds its capital base requirement of 125,000 euros.

The FOR is based on annual expenses net of variable costs deducted, allowable commission and fees and other variable expenditure. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by senior management on a monthly basis.

The Firm maintains capital resources as follows:

	31 Oct 2008 £
Tier 1 capital*	167,465
Tier 2 capital	0
Tier 3 capital	48,648
Deductions from Tiers 1 and 2	-
Total capital resources	216,305
*No innovative tier one capital is held	

INTEGRATION INTO BUSINESS STRATEGY

It is the intention of the firm to maintain sufficient capital resources to allow it to continue to operate profitably in the financial planning arena and to provide a reasonable return for the shareholders of the firm. In order to maintain this capital the firm must generate and retain profits that will add to the firm's financial reserves. However given the current economic environment throughout the world, this may be difficult over the next few years.

Internal Capital Adequacy Assessment Process (“ICAAP”)

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the firm is exposed.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the firm's governing body to ensure that there is sufficient capital within the firm to meet our future plans and anticipated risks.

Credit Risk

The FSA definition of credit risks relates to a firm's proprietary holdings. The firm does not invest on its own account, and credit risk is therefore not a consideration for Pillar 1. There is a potential credit risk arising from the failure of debtors to pay the firm promptly and this is considered under Pillar 2. For the firm's discretionary service and advisory service, the firm is able to deduct payments on a monthly basis from the value of assets under its control. A minority of financial planning business, is paid from the product provider. As these firms are, in themselves, FSA regulated entities with mostly strong balance sheets and their own ICAAP document in place, the risk of default is low. The firm does not consider that additional capital is required in order to mitigate this risk.

Market Risk

The FSA definition of market risks relates to a firm's proprietary holdings. The firm does not invest on its own account, and credit risk is therefore not a consideration for Pillar 1. The market value of client portfolios may have an effect on revenue stream and this is considered under Pillar 2. For the firm's discretionary service and advisory service, revenues are correlated to market values and a prolonged or sharp downturn on markets would materially affect the business. The Management team are aware of this and are actively looking for new business streams, reviewing our current charging structure and reducing business costs. Ultimately if these conditions persisted and our capital depleted, our holding company would inject fresh capital to the business.

Operational Risk

The operational risk calculation is not required for a BIPRU Limited Licence firm (BIPRU 6.1.1R). The firm operates segregation of its duties to the best of its ability given the size of the headcount. The firm has external auditors and also employs the services of a compliance consultant. There is regular dialogue between all staff in the open plan office and any issues are brought to Management's attention as appropriate. The Firm's operational affairs are managed in a professional and appropriate manner given the size and nature of its business. As such, the Firm is of the view that the internal operational risk is at an acceptable level and should not give rise to any additional ICAAP capital requirement.