

**Disclosure of Information (Pillar 3)
For the year ended December 31st, 2013**

Consulco Capital Ltd



May 2014

1. Introduction

Consulco Capital Ltd (the “Company”) is a Cypriot Investment Firm regulated by the Cyprus Securities and Exchange Commission (“CySEC”) with license number 166/12.

Following the implementation of the Directive DI144-2007-05, the Company is required to disclose information relating to its capital as well as the risks that the Company is exposed to. These disclosures are for the year ended 31 December 2013.

This report will be available on the Company’s websites at www.consulcocapital.com.

2. Market Risk

Market risk is the risk associated with the Company’s balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices
- Real estate market prices
- Interest rates
- Currency exchange rates

The Company manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Company’s risk tolerance as well as regulatory constraints.

The Company is only slightly exposed to Currency risk, the risk of loss resulting from changes in exchange rates. The Company is exposed to the financial impact arising from changes in the exchange rates of various currencies in two ways. Firstly, the Company may receive commissions in a currency other than Euro, which is the base currency of the Company. Secondly, the Company may have expenses denominated in a foreign currency.

However, considering the current nature, scale and complexity of the Company’s operations, the said risk is deemed insignificant and any adverse movement in exchange rates is not expected to materially impact the Company’s financials. It will however, be regularly monitored and if deemed necessary corrective actions will be taken to minimize the effect.

3. Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. Generally, credit risk can be derived from the following areas:

- Cash and cash equivalents
- Debt securities
- Receivables
- Derivatives

The Company’s objective in managing credit risk exposures is to maintain them within parameters that reflect the strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Company uses the ratings assigned by external rating agencies.

The Company is only exposed to credit risk mainly arising from cash and cash equivalents. It has significant exposure with financial institutions in the European Economic area and mainly Cyprus. In order to mitigate risks related to cash and cash equivalents, the Company utilizes European Banks with lower default risks and tries to limit the maximum cash amount that can be deposited with a single counterparty. In addition, the Company reviews a list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk

	Maximum exposure to credit risk
	2013
	€000
Risk weighted assets:	
Cash	79
Fees Receivable & Other Assets	9
Fixed Assets	1
Investors Compensation Fund	34
<i>Total risk weighted assets</i>	123
<i>Credit Risk (8% of total risk weighted assets)</i>	10

4. Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. In general, operational risk can be derived from the following areas:

- Employee errors
- System failures
- Fire, floods or other losses to physical assets
- Fraud (internal/external) or other criminal activity

The Company's exposure to operational risk is limited to the extent of its current scale and complexity. The Company has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized, however, most operational risks are managed within the departments in which they arise.

In addition to its overall framework, in order to mitigate operational risks, the Company has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.

The Company adopted the Basic Indicator approach for Operational risk. The Basic Indicator approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation. This includes the average over 3 year period of income earned.

5. Other Risks

5.1 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses, monitors and manages its liquidity needs on an ongoing basis.

The Company also ensures that it has sufficient cash on demand to meet expected operational expenses through its overdraft facility. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

5.2 Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

5.3 Reputation Risk

Risks to the Company's reputation include the risk that an act or omission by the Company or any of its employees could result in damage to the reputation or loss of trust among its stakeholders. Every risk type has potential consequences for the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to its reputation.

Additionally, the Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

5.4 Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

5.5 Capital Risk Management

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Company's Management Accounts to monitor the financial and capital position of the Company.

5.6 Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Internal Operations Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore the risk of non-compliance is very low.

5.7 Legal and Compliance Risk

This could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the Compliance Officer. The

structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

5.8 Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

Some concentration of credit risk with respect to trade receivables exists due to the Company's small number of customers. The Company's experience in the collection of trade receivables has never caused debts which are past the due payment period of 180 days to be impaired. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

5.9 Information Technology (IT) Risk

IT risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level

6. Remuneration Policy

The purpose of the Company's Remuneration Policy is to ensure the consistent implementation of the MiFID conflicts of interest and conduct of business requirements in the area of remuneration.

The remuneration policy and practices of the Company are designed in such a way to avoid exposing the Company into excessive or undue risks. Moreover, they are targeted to avoid creating incentives that may lead relevant persons to favour their own interest, or the firm's interests, to the potential detriment of clients. The Company has set up adequate controls for compliance with the regulatory requirements on the remuneration policy and practices. The controls are implemented throughout the Company and subject to periodic review. These address all relevant factors such as:

- the role performed by relevant persons
- the type of products offered
- the methods of distribution
- the fixed and variable components of the total remuneration are appropriately balanced
- appropriate criteria to assess the performance of relevant persons (financial (quantitative) and non-financial (qualitative) criteria)

The Board of Directors is responsible for determining and approving the Company’s remuneration policy and practices. The Board of Director’s is also responsible to monitor the Company’s compliance towards the approved policy and to identify and work towards any deficiencies. The Board of Directors meets at least twice a year, and whenever the need arises, to discuss issues and to reformulate the policy where this is necessary on account of changes and developments, whether internal to the Company or external in its market environment. Any changes in the Company’s remuneration policy can be brought about only as a result of a decision of its Board of Directors.

The remuneration of the Directors for 2013 was €37.500.No severance payments and variable or deferred remuneration have been awarded during the year. Further, all payments were made in cash.

7. Capital Base

At 31st of December 2013 the Capital base of the Company was as follows:

	Capital Base
	2013
	€000
Share Capital	307
Accumulated Losses	(103)
Total	204

8. Capital Adequacy

Based on the Company’s authorization, quarterly Capital Adequacy Reports are prepared and submitted to Cyprus Securities and Exchange Commission. The Capital Adequacy Reports is prepared on a solo basis and the reporting currency is Euro.

The adequacy of the Company’s capital is monitored by reference to the rules established by the Basel Committee as adopted by CySEC. The Company is subject to compliance with Directive DI144-2007-05 of 2012 of CySEC on the Capital Adequacy of Investment Firms. Basel II consists of three pillars: (I) minimum capital requirements, (II) supervisory review process and (III) market discipline.

Pillar I – Minimum Capital Requirements

The Company adopted the Standardised approach for Credit and Market risk and the Basic Indicator approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, after the consideration of various mitigating factors, according to the exposure class to which they belong. For exposures with institutions, the risk weight also depends on the term of the exposure (more favourable risk weights apply where

the exposure is under three months). The categories of exposures the Company is exposed to with regards to credit risk are deposits with banks, other assets and fixed assets.

The standardized measurement method for the capital requirement for market risk adds together the long and short positions of foreign exchange risk according to predefined models to determine the capital requirement. The main sources of foreign exchange risk for the Company are certain bank balances in foreign currencies (from page 2: “Company has expenses denominated in a foreign currency”) and exposures in foreign currencies from fees receivables.

For operational risk, the Basic Indicator approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation. This includes the average over a 3 year period of management fees, interest income and broker research income (net of research costs).

Pillar II – The Supervisory Review Process (SRP)

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company’s internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

Pillar III – Market discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of original own funds. In addition the results and conclusions of ICAAP are disclosed.

According to the CySEC Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors’ verification report to CySEC. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures have been made by the external auditors and sent to CySEC.

Capital Requirements

The primary objective of the Company’s capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximise shareholders’ value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8%. CySEC may impose additional capital requirements for risks not covered by Pillar I.

During 2013, the Company has fully complied with all externally imposed capital requirements as shown in the table below.

	2013
	€000
<i>Total Capital (Own Funds)</i>	205
Risk weighted assets – Credit Risk	10
Risk weighted assets – Market Risk	-
Risk weighted assets – Operational Risk	27
<i>Total Risks</i>	37
Surplus Capital Against Total Risks	168
<i>Total Capital Adequacy Ratio</i>	44.74%

Under the Directive, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

Capital Resources

The Company maintains only Tier 1 Capital as eligible own funds. Total eligible own funds for 31 December 2013 were €205.000.

Capital Requirement / Risk Weighted Assets

According to the Capital Adequacy Directive the minimum capital adequacy ratio is 8%. As at 31 December 2013, the Company’s total capital requirements were €37.000 resulting in a capital adequacy ratio of 44.74%, considerably higher than the minimum required of 8%.