

WH Ireland Group plc

Consolidated Pillar 3 Disclosure and Policy

Introduction

Regulatory Context

The Pillar 3 disclosure of WH Ireland Group plc ('the Firm') is consolidated with WH Ireland (Financial Services) Limited, WH Ireland Limited and DJ Carmichael Pty Limited being subsidiary undertakings of the Firm ('Subsidiaries') (together "the Group") and is set out below as required by the Financial Services Authority ('FSA')'s "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU) specifically [BIPRU 11.3.3 R](#). This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Group will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date ("ARD") which is 30th November 2008.

Media and Location

The disclosure will be published on the Firm's website.

Verification

The information contained in this document has not been audited by the Group's independent appointed auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Group.

Materiality

The Group regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Group deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Group regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Group's investment therein less valuable. Further, the Group must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Group to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The Firm is an established Securities (including corporate finance, research, institutional sales and corporate broking) and Private Wealth Management (incorporating asset management, Private Client Stockbroking and independent financial advice) group.

The Firm seeks to mitigate risk by implementing sound systems and controls and corporate governance arrangements.

We have grouped the risk categories in the overall Pillar 2 rule (GENPRU 1.2.30 R) into five groups that are relevant to our type of firm i.e. credit, market, operational, business and other risk. In the case of other risk, we have grouped together liquidity risk; insurance risk; interest rate risk and pension obligation risk. Our greatest risks are business risks (including our reputation) and operational risk.

For business risk, we have identified several scenarios which may have a detrimental impact on our business and subjected them to analysis and a stress test. The results inform the Firm that our capital planning forecasts and proposed management actions ensure we have adequate regulatory capital. The existing financial planning process has been integrated into the Internal Capital Adequacy Assessment Process (“ICAAP”) to develop forward looking financial forecasts.

For operational risk, we have assessed if Pillar 2 capital is required taking into account our mitigation plans.

Background to the Firm

Background

The Firm is a holding company incorporated in the UK authorised and regulated by the FSA as a financial services group. It has subsidiaries authorised and regulated by the FSA and ASX and ASIC. One of the firm’s Subsidiaries gives the Group the BIPRU categorisation of a €730k Full Scope Firm.

The Firm is a financial services holding company with both UK and overseas subsidiaries.

The following entities are covered by the ICAAP:

- WH Ireland Group plc (WHIG)
- WH Ireland Limited (WHIL)
- WH Ireland (Financial Services) Limited
- DJ Carmichael Pty Limited

The Subsidiaries form a UK Consolidation Group with WH Ireland Group plc.

No Subsidiary holds an Investment Firm Consolidation Waiver and hence the Group deducts Material Holdings under (GENPRU 2 Annex 4).

BIPRU 11.5.1

Disclosure: Risk Management Objectives and Policies

Risk Management Objective

The Group’s general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital

Governance Framework

The Board of Directors (“the Board”) is the Governing Body of the Firm. It meets bi-monthly, and is composed of:

- Rupert Lowe, Chairman
- Richard Ford, Chief Executive
- Nigel Gurney, Finance Director
- Mike Frame, Chief Operating Officer
- Richard Lee, Executive Director
- Lord Marland, Non-Executive Director

- John Padovan, Non-Executive Director
- Roger Lane-Smith, Non-Executive Director

The role of the Board is:

To provide strategic leadership of the Firm within a framework of good corporate governance and prudent and effective controls which enables risk to be assessed and managed. The Board should set the Firm's strategic aims, ensure that the necessary financial and human resources are in place for the Firm to meet its objectives and review management performance. The Board should set the Firm's values and standards and ensure that its obligations to its shareholders and others are understood

The Executive Committee of the Firm has the daily management and oversight responsibility. This comprises the Firm's: Chairman, Chief Executive, Finance Director, Chief Operations Officer and any Executive Director.

The Risk Management Framework

The Board regards managing risk as a process of continuous improvement. The Firm is undertaking a programme of enhancing its existing Risk Management Framework.

The Firm's Risk Management Framework is made up of the following components:

Statement of Responsibilities – The Firm has adopted the following Statement of Responsibilities:

Governing Body

The Board of the Firm is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process. The Board, in liaison with the executive directors and senior management, sets the risk strategy policies.

The Board decides the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Board will, at least annually, conduct a review of the effectiveness of the Firm's system of internal controls and should report to shareholders they have done so. The review will cover all material controls, including financial, operational and compliance controls and risk management systems.

Senior Management

Senior Management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the company. Senior Management is responsible for effectively communicating the Firm's approach and commitment to establishing and maintaining an effective risk management framework and approach.

Senior Management is also responsible for ensuring that employees are adequately equipped with the right tools and knowledge to enable employees to fulfil their obligations to the risk management process.

Risk Committee

The Firm has established a Risk and Compliance Committee ('the Committee') which is fully authorised and empowered to:

- (a) monitor, consider, review and make recommendations to the Board concerning all elements of compliance with the rules of The Financial Services Authority (FSA) and other organisations (e.g. the London Stock Exchange) as they apply to any regulated companies within the Group;
- (b) oversee the risk management systems, practices and procedures to ensure effectiveness of risk identification and management throughout the Group;
- (c) consider and deal with any other matters as may from time to time be referred to the Committee by the Board;
- (d) approve or do any act, matter or thing ancillary to any matter referred to in paragraph (a), (b) or (c).

The duties of the Committee shall be, in relation to regulated companies within the Group:

- (a) to consider the adequacy of the procedures that have been established to ensure compliance with the Rules and Guidance of the FSA and other regulatory bodies;
- (b) to review and assess the risk management strategy of the Firm and its subsidiary companies and, where appropriate, to ensure that risks are adequately mitigated;
- (c) to consider any reports or correspondence with the regulatory authorities;
- (d) to consider the external auditor's management letter with respect to regulatory and compliance issues;
- (e) to ensure that all employees within the Firm are aware of their responsibilities with respect to compliance and risk management;
- (f) to ensure that the compliance and risk management function are adequately resourced and has appropriate standing and independence within the Firm;
- (g) to consider other topics, as defined by the Board from time to time.

BIPRU 11.5.4

Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the Overall Pillar 2 Rule

BIPRU 3

For the Group's Pillar I regulatory capital calculation of Credit Risk the Group has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.4).

Regulatory Risk Calculations

The following calculations are based on the audited figures per the 30th November 2008 year end accounts

Credit Risk Capital Component

<u>Illiquid assets</u>	£	Liquidity risk	Total
Tangible assets	7,230,000	8%	585,840
Investments	1,847,000	8%	147,760
Associate undertakings	880,000	8%	70,400
Other Illiquid	1,072,000	8%	85,760
			<hr/>
Liquidity adjustment re illiquid assets			889,760
<u>Other non trading book assets</u>			
Prepayments	1,479,000	8%	118,320
Non-trading book debtors	1,579,000	8%	126,320
Cash and deposits	5,759,000	1.6%	92,144
Other Investments	98,000	8%	7,840
			<hr/>
			344,624
			<hr/>
			1,234,384
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Counterparty risk capital component

		2008
<u>Counterparty Risk Requirement as at 30 November 2008:</u>		£
WH Ireland Limited		850,214
DJ Carmichael Pty Limited	AUS \$431,360*	183,063
		1,033,277
<u>Other Risks</u>		
DJ Carmichael Pty Limited	AUS \$58,200*	24,699
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Group Total		1,057,976
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*Closing AUS \$ rate 2.3564

BIPRU 4

The Group does not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 6

The Subsidiaries make the Group a Full Scope Firm and is subject to the Operational Risk Requirement. The Group adopts the Basic Indicator Approach for managing its Operational Risk exposures. The typical Operational Risk Capital Charge for Firms on a Basic Indicator Approach is 15% of the three year average of the sum of;

- A Firm's net interest income; and,
- A Firm's net non-interest income.

BIRPRU 6.3.2**Regulatory Risk Calculations****Operational risk capital component - Basic Indicator Approach**

<i>Relevant Indicators under BIPRU 6.3.6</i>	Year ended		
	Nov-08	Nov-07	Nov-06
Total Relevent Indicators	27,021,244	30,133,583	22,862,467
Average of 3 years' relevant indicators	26,672,431		
Operational Credit Capital Requirement @15%	4,000,865		

BIPRU 7

The Group has an Equity Positional Risk Requirement (BIPRU 7.2)

Regulatory Risk Calculations**Equity Positional Risk Requirement**

	2008
<u>Position Risk Requirement as at 30 November 2008</u>	£
WH Ireland Limited	43,770
DJ Carmichael Pty Limited	AUS \$20,443* 8,676
Group Total	52,446

*Closing AUS \$ rate 2.3564

BIPRU 10

The Group closely monitors and assesses its Trading Book and Non-Trading Book limits in line with (BIPRU 10.5.2R to BIPRU 10.5.15R). When the Group has a single or connected exposure equal to or that exceeds the designated Large Exposure limit threshold it is recorded in the Breaches Register and monitored until such time as is rectified upon receipt of fees.

Overall Pillar 2 Rule

The Group has adopted the "Pillar I Plus" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors

Paper, 27 March 2006 paragraph 2.2.2.

BIPRU 11.5.8

Disclosure: Credit Risk and Dilution Risk

The Group is primarily exposed to Credit Risk from the risk of non-collection of advisory and sub-advisory fees. It holds all cash and performance fee balances with Banks assigned high credit ratings. Consequently risk of past due or impaired exposures is minimal.

BIPRU 11.5.12

Disclosure: Market Risk

The Group Trading Book Exposure to Market Risk is to Equity Position Risk. The Group is not exposed to; Interest Rate Position Risk, Commodity Position Risk, Option Position Risk, Collective Investment Undertaking Position Risk or Securitisation Position Risk.

BIPRU 11.5.2

Disclosure: Scope of application of directive requirements

This disclosure is not required as the Group is not within scope of the [Banking Consolidation Directive](#).

BIPRU 11.5.3

Disclosure: Capital Resources

The Group is a BIPRU Investment Firm, without an Investment Firm Consolidation Waiver, deducting Material Holdings under (GENPRU 2 Annex 4)

Tier 1 Capital	£16,729,000
Deductions	£(4,606,000)
Tier 2 Capital	£ 667,000
Deductions	£ 0
Capital Resources	£12,790,000
Tier 3 Capital	£ 0
Deductions	£ 0
Total Capital	£12,790,000

BIPRU 11.5.5

This disclosure is not required as the Group has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

BIPRU 11.5.6

This disclosure is not required as the Group has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#) .

BIPRU 11.5.9

This disclosure is not required as the Group does not make Value Adjustments and Provisions for Impaired [Exposures](#) that need to be disclosed under [BIPRU 11.5.8R \(9\)](#).

BIPRU 11.5.10

Disclosure: Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as the Group uses the Simplified method of calculating Risk Weights (BIPRU 3.5).

BIPRU 11.5.11

Disclosure: Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Group has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

BIPRU 11.5.13

Disclosure: Use of VaR model for calculation of Market Risk Capital Requirement

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

BIPRU 11.5.14

Disclosure: Operational Risk

This disclosure of Pillar I Operational Risk calculation is required under GENPRU 2.1.45R.

Operational Risk Capital Requirement	GENPRU 2.1.45	£4,000,433
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BIPRU 11.5.16

Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book

Although the Group has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

BIPRU 11.5.17 Disclosures: Securitisation

This disclosure is not required as the Group does not Securitise its assets.