

Matrix Group Limited Pillar 3 Disclosures

Overview

- Matrix Group Limited (Matrix Group) is the holding company for seven Financial Service Authority (FSA) authorised firms:

| | Firm | Principal Activity |
|----|---|---|
| 1. | Matrix-Securities Limited | Marketing of financial products |
| 2. | Matrix Property Fund Management LLP | Operates unregulated collective investment schemes in property |
| 3. | Matrix Alternative Asset Management LLP | Provision of investment management services |
| 4. | Matrix Private Equity Partners LLP | Managed funds on behalf of a range of VCTs |
| 5. | Matrix Corporate Capital LLP | Marketing of financial products and the provision of corporate finance services |
| 6. | Prime Rate Capital Management LLP | Liquidity fund management |
| 7. | Matrix Money Management Limited | Promotion of off shore funds |

The disclosures set out below are made based on the consolidated regulatory group which consists of the above seven entities. The Pillar 3 disclosure requirements aim to complement the minimum capital requirement (Pillar 1) and the supervisory review process (Pillar 2) and encourage market discipline by allowing participants access to appropriate information on risk exposures and the risk assessment processes within the consolidated regulatory group.

- Disclosures
These year end disclosures have been prepared by Matrix Group to meet the qualitative and quantitative disclosure requirements.
- Frequency
The Pillar 3 report is prepared on an annual basis, as soon as practically possible after the year end accounts have been audited and approved by the board. The information is as at the Accounting Reference Date (30 June).
- Publication
The Pillar 3 Disclosure reports will be made available at the reception of Matrix Group (One Vine Street, London, W1J 0AH).

Risk Management Objectives

- Matrix Group's Board of Directors takes ultimate responsibility for managing the risks undertaken in all the businesses and for the risk management objectives and policies within the overall business strategy. For each business, we:
 - identify the risks to which the capital of the business is exposed;
 - articulate the acceptable levels of exposure to risk types; and
 - set policies which are appropriate to the size, nature and complexity of transactions entered into, reflecting the quality and sophistication of the firms' monitoring capabilities, systems and processes.

6. The Risk Management Framework includes:
 - a) Executive Committee meetings (ten times a year)
 - b) Quarterly Board Meetings
 - c) Quarterly Group Risk Committee meetings
 - d) Monthly business review meetings
 - e) Monthly Risk Committee meetings for certain business areas
 - f) Provision of regular management information including:
 - Monthly management accounts.
 - Daily cash flow statements monitored by the Financial Controller and reviewed weekly by the Matrix Group COO&FD and CEO.
 - Forecasts of the cash position and profitability of the Group for a period up to 12 months in advance, updated and reviewed weekly.
 - Regulatory financial resources requirements, monitored on a daily and monthly basis and forecasted for 12 months ahead.
 - Annual 3 year budgets / forecasts.

Disclosure of Risks

7. A standard list of risks to consider when assessing the adequacy of our capital would include the following: credit risk, market risk, interest rate risk, operational risk, liquidity risk, business risk, insurance risk, concentration risk, residual risk, pension risk. Not all of these risks will apply to the consolidated regulatory group's businesses. For example, our pension obligations relate to contributing to the Matrix Group personal pension scheme and not to the final salary of employees at retirement.
8. To ensure the consolidated regulatory group is compliant with its firms' requirements for BIPRU 3 (credit risk) and BIPRU 7 (market risk) the company uses its risk management and control systems to provide a continuous reporting mechanism. Operational risk is the loss arising from failed or inadequate internal processes or systems, human error or other external factors, including the outsourcing of parts of the businesses. This risk is managed by the individual business areas and is reported on within the risk management framework set out in paragraph 6 above.
9. The risk management framework for Matrix is reviewed and examined on a regular basis. In addition, during this reporting period we engaged a leading firm of chartered accountants to carry out a high level review of Compliance, Corporate Governance and all Prudential Reporting arrangements.

Statement of Risk Appetite

10. All significant new business developments are subject to Board approval. The Board consists of the officers of the holding company and the main business heads, who between them hold over 70% of the Matrix Group shares. The Board therefore has a good understanding of the majority of the shareholders' risk appetite.
11. As a risk control, the Board sets a financial limit to the amount to be invested in new businesses.

12. All businesses are included in the cash planning for the Group which gives directors reassurance that there will be sufficient cash and reserves to cover the development and regulatory requirements.
13. Matrix Group uses its short lines of communication to agree new policies, procedures or business developments quickly and if necessary at short notice. Any new developments will always be made in the context of the current and future cash and profits projection.
14. Reviews of financial cover required for potential risk are undertaken biannually.

Professional Indemnity Insurance

15. Matrix Group has appropriate Professional Indemnity insurance (PI) cover for all of its subsidiaries.

Quantitative Disclosures

| | 2009 £000 | 2008 £000 |
|--|--------------|---------------|
| Permanent Share Capital | 3,365 | 3,359 |
| Audited reserves b/fwd | 14,193 | 13,135 |
| Minority interests | (2,492) | (615) |
| Share premium account | 255 | 252 |
| Material audited losses | (6,118) | - |
| | (8,355) | (363) |
| Core tier one capital | 9,203 | 16,131 |
| Deductions from tier one capital | | |
| Intangible assets - Goodwill | (1,981) | (2,296) |
| Total tier one capital after deductions | 7,222 | 13,835 |
| Operational risk requirement | 4,296 | - |
| Counterparty risk requirement | 3 | - |
| Market/position risk requirement | 215 | - |
| Credit risk requirement | | |
| Bank @ 1.6% | | |
| 8% of | | 55 |
| Debtors | 11,664 | 16,497 |
| Current Asset | 1,743 | 6,185 |
| Fixed Asset Investments | 274 | 3,320 |
| Other Assets | 5,434 | 5,514 |
| | 19,114 | 31,516 |
| At 8% | 1,529 | 2,521 |
| Foreign Exchange requirement | 12 | 1 |
| Surplus of financial resources | 1,167 | 11,258 |

John Owen
 Finance Director and Chief Operating Officer
 14th October 2009