Solid Financial Services (Cyprus) Limited

Disclosures in accordance with the Cyprus Securities and Exchange Commission Directive DI144-2007-05

As at 31 December 2010

General Notes

Solid Financial Services (Cyprus) Limited (hereafter referred to as "the Company") has prepared the following disclosures based on the audited financial statements for the year ended 31December 2010.

While the information included in the Disclosures derives from the Financial Statements, the Disclosures do not constitute the Company's Financial Statements nor do they constitute any form of contemporary or forward looking record or opinion of the Company.

They are prepared to explain how the Company manages risks, under the requirements of the Cyprus Securities and Exchange Commission (hereafter referred to as "CySEC" or "the Regulator") and explain how much capital is assigned to these risks for their management.

The disclosures have been reviewed and approved by the Company's Board of Directors, while they have been verified by the Company's external auditor. The figures disclosed below are to the nearest thousand.

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I Scope of the Application

Governing Law
These disclosures have been prepared in accordance with the Capital Requirements of Investment Firms Directive DI144-2007-05 ("the Directive"), of CySEC, Chapter 7 (Disclosure and Market Discipline of Part C, paragraphs 34 – 38 and namely Annex XII, Part 2).

Policy Statement
Following a careful consideration of the specific characteristics of the Company, such as the scale, size and complexity of its operations, type of financial instruments traded, financial markets in which trading activity is carried out; the Company's Board of Directors has decided that all of the Disclosures need to be published annually. It has also been decided that the Disclosures will be published only on the Company's website.

Background
The Company has got a license from CySEC, CIF 065/06. *Under its license the Company is entitled to provide the following investment and ancillary services:*

- *Reception and transmission of orders;*
- *Portfolio management;*
- *Dealing on own account;*
- *Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management*
- *Granting credits or loans to investors to allow them to carry out transactions in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction*
- *Foreign exchange services where these are connected to the provision of Investment services*

On 7th of December 2010 the Company has notified CySEC about it's intention to renounce the provision of the investment service "portfolio management".

On 3rd of January 2011 CySEC has noted the Company's intention to renounce the provision of the investment service "portfolio management" from it's CIF authorization in accordance with section 24(2) of the Investment Services and Activities and Regulated Markets Law of 2007, ("the Law"), according to which, 'where a CIF expressly renounce the CIF authorization, it will automatically lapse and the relevant CIF must inform the Commission accordingly'.

According to the Directive the Company needs to disclose whether "it has any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries". Solid Financial Services Limited confirms that there is not legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

II Capital Base

Regulatory Capital

The Company's capital base comprises only of Original Own Funds (Tier 1 Capital), namely Share Capital and Reserves. It should be noted that the Company's Share Capital refers to Ordinary shares while Reserves include only Retained Earnings (Accumulated Retained Profits and Audited Profit/ Loss for the year).

The table below shows the Company's capital base as at 31 December 2010.

	Ended 31/12/2010
Original Own Funds	USD'000
Share Capital	322.00
Retained Earnings	2 905.00
Total	3 227.00

III Risk Management

The responsibility for the overall framework of risk governance and management lies with the Board of Directors. The Management recognizes that risk is embedded in all the Company's activities and for this reason it recognizes the need to continually identify, assess, monitor and control each type of risk.
More specifically the responsibilities of the Board of Directors and Senior Management with regards to managing risks are to:

- Assess on a continuous basis the effectiveness of the policies, arrangements and procedures in place;
- Review the report received from the Risk Management Department and take action whenever necessary;
- Decide on the Company's risk bearing capacity and risk strategy;
- Ensure that the Company has sufficient capital and risk reserves to cover its needs.

The Company's Board of Directors also established a Risk Management Department whose primary responsibility is to oversee the risk management of the Company. The Board was also observing on a regular basis the Minutes of the Risk Management Committee. The main responsibilities of the Risk Management Department are to:

- Establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities and processes;
- Monitor the adequacy and effectiveness of its risk management policies and procedures;
- Evaluate customer financial data, especially where the Company grants the customers with a credit or loan;
- Manage risks associated with transactions performed on behalf of clients;
- Monitor risks in respect of the investment risks undertaken, both on aggregate and per customer level.

The Risk Management Department is also responsible for preparing on a frequent basis and at least annually, a report for the Board of Directors. Based on the risk management issues identified the Board of Directors is responsible for taking mitigation actions wherever necessary.

IV Capital Requirements

According to the Directive the Company's management has decided that the most appropriate methods for measuring the capital requirement under Pillar 1 are:

• Credit risk using the Standardized Approach;
• Market risk using the Standardized Approach;
• Operational Risk using the Basic Indicator Approach.

As at 31 December 2010 the Company's capital requirements for the three categories of Pillar 1 risks are as follows:

Risk Category	Pillar 1 Capital Requirement
	USD '000
Credit and counterparty risk	154
Market risk	343
Operational risk	153
Total	650

V Credit Risk

Credit Risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

Credit risk also includes sovereign risk (country specific, rather than firm-specific)

As specified above, the management of credit risk is important in the overall risk management framework, and as such the Board of Directors has established a Risk Management Department.

Exposures

In the following table the Company's exposures are represented geographically, indicating specifically the most material exposures broken down by significant areas.

Exposures per country (in USD'000)

	Cyprus	Lithuania	Russia	Belize	United Kingdom	US of America
Institutions	10	1	152	0	3193	5
Corporate	133	0	745	0	0	
CIU	782	0	1 312	0	0	
Others	61	0	158	36	0	

The Company uses Moody's Investor Services for rating its entire portfolio, and is in compliance with the requirements of Directive DI144-2007-05.

The standardized approach: long term mapping

Moody's assessment

1) Aaa to Aa3 20%
2) A1 to A3 50%
3) Baa1 to Baa3 100%
4) Ba1 to Ba3 100%
5) B1 to B3 150%
6) Caa1 and below 150%

Exposures by Industry or Counterparty type

The Company's exposures are concentrated in the Financial Services sector. The Company does not have any exposures in other sectors thus the Company has not performed a classification of exposures by counterparty or industry.

The carrying amount of financial assets represents the maximum credit exposure.

LOANS

In accordance with the Law and with reference to the Circular No.IF(2006-2007) during the year 2010 the Company was granting the loans to it's clients. The details of the remaining loan are indicated below:

Counterparty	Remaining debt	Accrued interest
FX Innovating Ltd	500 000.00 RUR	2 175.82 RUR

At present the above mentioned loan was fully repaid in compliance with the Law.

Nominated External Credit Assessment Institutions (ECAI's) for the application of the standardized Approach

According to the requirements of the Directive, under the Standardized Approach, the Company can chose one on of the three nominated ECAIs (Standard and Poor's Rating Services, Fitch Ratings and Moody's Investor Services) for assigning risk weights to its exposures.

The Company uses Moody's Investor Services for rating its entire portfolio, and is in compliance with the requirements of the Directive.

The table below presents only the exposures for each Credit Quality Step before Credit Risk Mitigation.

	CREDIT QUALITY STEP					
Asset class USD'000	1	2	3	4	5	6
Institutions	3 198	10	151	1	-	-
Total Exposure	3 198	10	151	1	-	-

The Company's "Other" exposures are risk weighted at 0% and 100%. They however cannot be classified according to the Credit Ratings as they represent cash exposures trade receivables, prepayments and fixed assets.

VI Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices.

During the year 2010 the Company had the substantial Market risk due to the Positions risk and Foreign Exchange risk. At the end of the year 2010 the Positions risk was minimal but sill remained substantial and related to the following assets:

Marketable Securities: 1,325

None the less the Company's Board of Directors, following the recommendations of the Risk Management Department have set up prudent market risk policies and procedures to minimize their market risk that includes foreign exchange risk and liquidity risk. The Risk Management Department also uses Value at Risk methodology in order to evaluate the risk involved with specific instruments.

As specified in section IV- Capital Requirements the Company calculates the minimum capital requirement for market risk using the Standardized Approach and also the calculations of Foreign Exchange Risk.

The Capital Requirements for the market risk is 159.

Foreign Exchange Risk ("FER")

Foreign Exchange Risk is an important aspect of market risk management. The Company takes all reasonable steps to ensure that its capital requirements with regards to Foreign Exchange Risk are not excessive so that they can cause the Company to be in any financial impediment.

During the year 2010, Risk manager as result of analysis of Company's accounts found that appreciable amounts accumulated in Russian Rubles, videlicet loans, deposits etc.
As per the risk manager's recommendation to the Company's Management was reconsideration of a ratio of currencies.

The Capital Requirements for the market risk is 184.

VII Liquidity Risk

Liquidity risk is an important aspect of financial risk management and arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses.
The Company considers liquidity risk to be a material risk since it can affect the Company's position as a going concern. Monitoring of liquidity risk is an integral part of the day-to-day risk management. Specifically in order for the Company to achieve its objective of minimizing liquidity risk the Risk Management Committee ensures that:

- Sufficient cash deposits are maintained;
- Adequate amount of committed credit facilities are maintained and monitored on a continuous basis;
- Daily reconciliations of cash balances and payments are performed

VIII Operational Risk

The Company recognizes Operational Risk as the risk deriving from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters.

The Company's policy with regards to the management of Operational Risk is centered on promoting a culture among employees where Operational Risk is identified and monitored through reporting of Operational Risks, through training and continuous evaluation, monitoring and upgrading of the Company's systems.

Based on the Company's operations the Board of Directors has decided that the Basic Indicator Approach ("BIA") is the most appropriate method to be used to measure the Operational Risk capital requirements. According to the BIA the operational risk capital requirement is calculated by applying 15% rate on the average sum of the net incomes of the last three twelve-month observations, at the end of the financial year.

In the table below the requirements for operational risk, as at 31 December 2010 are presented.

Operational Risk	Average
	USD '000
Revenue	727.64
Profit from sale of Trading Investments	8.85
Dividend Income	42.854
Interest income	237.99
Total gross income	1017.33
Capital Requirements	152.59