

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

REGISTRATION NUMBER 04007950

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

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INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Officers and Professional Advisers

Directors

E. M. Arbib
G. Fano
D. Masetti
S. D. Shane

Registered Office

4 Hill Street
Mayfair
London
W1J 5NE

Bankers

Barclays Bank Plc
Business Banking Larger Business
Floor 28, 1 Churchill Place
Canary Wharf
London
E14 5HP

Auditors

Sopher & Co LLP
Chartered Accountants & Statutory Auditors
5 Elstree Gate
Elstree Way, Borehamwood
Hertfordshire, WD6 1JD

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Strategic Report

Overview

The directors present the Strategic Report, Directors' Report and the financial statements of Integrated Alternative Investments Limited (the "Company") for the year ended 31 December 2016.

The principal activity of the Company is the provision of investment management and investment advisory services. The Company specialises in the provision of services in the Hedge Funds market. There have not been any significant changes in the nature of principal activities during the year. The Company continues to manage a special situations investment vehicle based in Luxembourg.

Business review

The Company is authorised and regulated by the Financial Conduct Authority.

The directors are confident that despite the low level of assets under management in its Funds business, the Company will continue to trade profitably in the future. The Company continues to actively manage its cost base in line with the level in assets under management.

Key Performance Indicators

The following table summarises the key performance indicators used by the directors to assess the performance of the Company as of the dates and periods indicated.

	2016	2015	Change
	£	£	
Turnover	872,695	1,944,374	-55%
Profit for the year before tax	483,934	973,021	-50%
Total capital resources, net of deductions	3,910,194	4,406,260	-11%

Future developments

The directors intend to manage the business in a prudent manner, while seeking to find suitable acquisition and other corporate opportunities to make the business more efficient in the long run.

Going concern

The Company has sufficient liquid resources. The directors are confident that the Company will continue to meet its liabilities as they fall due for the foreseeable future and therefore prepare the financial statements on the going concern basis.

Principal risks and uncertainties

The principal risk attached to the management of Hedge Funds is investment risk, being the poor performance of the underlying funds, either absolutely or relative to their peer group. This could result in a decrease in both management and performance fees received by the Company and in redemptions by investors leading to a decrease in Assets Under Management with similar effect. This risk is mitigated by the use of a robust and highly developed investment process which is implemented by skilled and experienced staff and the operation of a separate risk management function independent of the investment function which both ensures the investment team's adherence to the internal procedures as well as monitoring the portfolios against a range of pre-determined criteria using sophisticated risk management software.

Creditor Payment Policy

The Company does not follow any code or standard on payment practice, but adopts the following policy regarding the payment of its suppliers:

- (a) To agree payment terms with suppliers in accordance with contractual or other legal obligations.
- (b) To ensure that suppliers are aware of and to make payment in accordance with the payment terms.

Signed on behalf of the Board of Directors on 20 April 2017 by:

E. M. Arbib
Director

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Directors' Report

The directors submit their report together with the audited financial statements of Integrated Alternative Investments Limited (the "Company") for the year ended 31 December 2016.

Directors

The directors of the Company during the year and up to the date of this report were:

E. M. Arbib
G. Fano
D. Masetti
S. D. Shane

Third Party Indemnity

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force at the date of approval of the director's report and financial statements.

Pillar 3 Disclosures

Details of the Company's unaudited Pillar 3 disclosures, required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), are appended to these financial statements.

Results and Dividends

The Company made a profit of £ 483,934 (2015: £ 981,294).

A dividend of £ 980,000 was paid in the year (2015: £ 1,350,000).

Auditors

In accordance with the Companies Act 2006, the Company has elected to dispense with the obligation to appoint auditors annually.

Each of the persons who are directors at the time when the directors' report is approved has confirmed that :

- (a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors on 20 April 2017 by:

E. M. Arbib
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Independent Auditors' Report to the Members of Integrated Alternative Investments Limited

We have audited the financial statements of Integrated Alternative Investments Limited (the "company") for the year ended 31 December 2016, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Independent Auditors' Report to the Members of Integrated Alternative Investments Limited (continued)

Matters on which we are required to report by exception.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martyn Atkinson FCA (Senior Statutory Auditor)
for and on behalf of
Sopher + Co LLP
Chartered Accountants & Statutory Auditors
5 Elstree Gate
Elstree Way
Borehamwood
Hertfordshire
WD6 1JD

20 April 2017

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Income Statement for the year ended 31 December 2016

	Note	2016 Total £	2015 Total £
Turnover	1c, 2	872,695	1,944,374
Cost of Sales	2	(163,051)	(737,292)
Gross Profit		709,644	1,207,082
Administrative Expenses		(226,838)	(236,856)
Operating Profit	3	482,806	970,226
Interest receivable and similar income	6	1,128	2,795
Profit on Ordinary Activities before Taxation		483,934	973,021
Tax on profit on ordinary activities	7	-	8,273
Profit for the financial year		483,934	981,294

All of the activities of the company are classed as continuing. There were no recognised gains or losses for 2016 or 2015 other than those included in the income statement.

The notes on pages 10 - 16 form an integral part of these financial statements.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

COMPANY REGISTRATION NUMBER 04007950

Balance Sheet at 31 December 2016

	Note	2016 £	2015 £
Current Assets			
Debtors	8	3,584,527	3,146,277
Cash at bank and in hand		488,956	1,504,297
		<u>4,073,483</u>	<u>4,650,574</u>
Current Liabilities			
Creditors: amounts falling due in less than one year	9	(163,289)	(244,314)
Total Assets less Current Liabilities		<u>3,910,194</u>	<u>4,406,260</u>
Capital and Reserves			
Called up share Capital	11	2,687,778	2,687,778
Other equity capital	11	680,000	680,000
Other reserves	12	53,000	53,000
Profit and Loss Account	12	489,416	985,482
Shareholders' Funds		<u>3,910,194</u>	<u>4,406,260</u>

These financial statements were approved by the Board of Directors on 20 April 2017 and are signed on its behalf by:

E. M. Arbib
Director

The notes on pages 10 - 16 form an integral part of these financial statements.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Statement of Changes in Equity for the year ended 31 December 2016

	Called up share capital £	Other equity capital £	Other reserves £	Income statement £	Total £
At 1st January, 2015	2,687,778	680,000	53,000	1,354,188	4,774,966
Profit for the year	-	-	-	981,294	981,294
Dividend paid	-	-	-	(1,350,000)	(1,350,000)
At 31st December, 2015	2,687,778	680,000	53,000	985,482	4,406,260
Profit for the year	-	-	-	483,934	483,934
Dividend paid	-	-	-	(980,000)	(980,000)
At 31st December, 2016	<u>2,687,778</u>	<u>680,000</u>	<u>53,000</u>	<u>489,416</u>	<u>3,910,194</u>

The notes on pages 10 - 16 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2016

1 Principal Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies [see note 1(k)].

Integrated Alternative Investments Limited is a limited liability company incorporated and domiciled in England & Wales, with its registered office address at 4 Hill Street, Mayfair, London W1J 5NE. The company's functional and presentational currency is the British Pound Sterling (£).

(b) Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

This information is included in the consolidated financial statements of Integrated Asset Management PLC as at 31 December 2016 and these financial statements may be obtained from the company's registered address.

(c) Turnover

Turnover represents the fair value of consideration received for the provision of investment management and advisory services in the United Kingdom net of value-added tax, rebates and discounts allowed. Turnover is recognised when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

(d) Foreign currencies

Foreign currency transactions are translated into Great British Pounds using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Current and deferred taxation policy

The tax expense for the year comprises current tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(f) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term

Notes to the Financial Statements for the year ended 31 December 2016

1 Principal Accounting Policies (continued)

(g) Going concern

The Company has sufficient liquid resources and ongoing investment advisory and management contracts. The directors are confident that the Company will continue to meet its liabilities as they fall due for the foreseeable future and therefore prepare the financial statements on the going concern basis.

(h) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

(i) Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. The company does not have debt instruments that are payable or receivable in more than one year.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

(j) Judgements in applying accounting policies and key sources of estimation uncertainty

The information required to calculate the management and performance fees to be accrued at the year end is not always available at the date of the approval of the accounts. Management has therefore used their judgement and expertise, including considering market conditions specific to the Asset Under Management, to calculate reasonable estimates of what should be accrued at the year end.

Notes to the Financial Statements for the year ended 31 December 2016

2 Turnover and Cost of Sales

Turnover is attributable to the Company's principal activity and primarily comprises of the following:

Management and Performance Fees

Management fees are calculated as a percentage of net assets under management and are recognised in the period in which the services are rendered.

Performance fees are calculated as a percentage of the net appreciation in a fund's net asset values at the end of a performance period. The length of a performance period varies between funds and usually covers periods ranging from between 3 to 12 months. Performance fees are recognised when the amount of the fee can be reliably measured, which is normally at the end of the performance period. Where a fund's performance period covers the balance sheet date, performance fees have been recognised based on reasonable estimates that consider the particular fund's performance to the balance sheet date and where evidence exists that suggests that the current performance will be sustainable to the end of the performance period.

	2016 £	2015 £
An analysis of Turnover is as follows :		
Management Fees receivable	205,667	221,637
Performance Fees receivable	-	254,751
Other income	667,028	1,467,986
	<u>872,695</u>	<u>1,944,374</u>

Cost of Sales

Cost of sales comprises of commissions and distribution fees payable to intermediaries, distributors and other third parties and are charged to the Income Statement over the period in which the service is provided.

3 Operating Profit

Operating profit on ordinary activities is stated after charging/(crediting):

	2016 £	2015 £
Exchange loss on translation	(21,539)	27,246
Management Re-charge Income	-	(5,000)
Management Re-charge Expense	111,000	109,000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	5,000	5,000
Fees payable to the Company's auditor for other services:		
- Tax compliance services	<u>2,000</u>	<u>2,000</u>

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Notes to the Financial Statements for the year ended 31 December 2016

4 Directors' Remuneration

	2016 £	2015 £
Salaries and consultancy fees	43,026	24,818
Social security costs	4,340	687
	<u>47,366</u>	<u>25,505</u>

Directors' remuneration equates amounts paid to directors for qualifying services as directors of the Company. Remuneration paid to the highest paid director totalled £24,996 (2015: £7,315).

5 Staff Costs (excluding directors' remuneration)

	2016 £	2015 £
Wages and salaries	19,487	20,000
Social security costs	1,570	1,832
Pension costs	58	-
	<u>21,115</u>	<u>21,832</u>

The average monthly number of employees (including directors) during the period was 5 (2015:4).

All employees are engaged in marketing activities.

6 Interest Receivable and Similar Income

	2016 £	2015 £
Bank interest	1,128	2,795
	<u>1,128</u>	<u>2,795</u>

7 Tax on profit on ordinary activities

	2016 £	2015 £
(a) Analysis of (credit)/charge in the year		
UK corporation tax on result for the period	-	-
Adjustments in respect of prior periods	-	(8,273)
	<u>-</u>	<u>(8,273)</u>

Notes to the Financial Statements for the year ended 31 December 2016

7 Tax on profit on ordinary activities (Continued)

(b) Factors affecting the tax charge for the year

The tax charge is lower than the standard rate of corporation tax in the UK (20%).
The differences are explained below.

Profit on ordinary activities before tax	483,934	973,021
Multiplied by the standard rate of Corporation tax in the UK @ 20% (2015: 20.25%)	96,787	197,037
Adjustment in respect of:		
Expenses not deductible for tax purposes	15	166
Capital allowances in excess of depreciation	(448)	(553)
Utilisation of tax losses and other deductions	(96,354)	(196,650)
Adjustment in respect of previous year	-	(8,273)
Tax (credit)/charge for the period	-	(8,273)

8 Debtors

	2016 £	2015 £
Trade debtors	131,110	74,219
Other debtors	6,417	2,605
Amounts due from group companies	3,444,353	3,067,524
Prepayments and accrued income	2,647	1,929
	3,584,527	3,146,277

9 Creditors

	2016 £	2015 £
Trade creditors	81,570	175,008
Accruals and deferred income	81,719	69,306
	163,289	244,314

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Notes to the Financial Statements for the year ended 31 December 2016

10 Deferred Tax

The Company has the following net deferred tax asset which has not been recognised as its recovery cannot be ascertained.

	2016 £	2015 £
Unutilised tax losses	-	77,114
Depreciation in advance of capital allowances	2,041	2,490
	<u>2,041</u>	<u>79,604</u>

11 Share Capital

	2016 £	2015 £
Allotted, called up and fully paid		
2,687,778 (2014: 2,687,778) Ordinary shares of £1 each	2,687,778	2,687,778
680,000 (2014: 680,000) Redeemable, non-cumulative preference shares of £1 each	680,000	680,000
	<u>3,367,778</u>	<u>3,367,778</u>

The redeemable shares are redeemable upon request at the sole discretion of the Company and rank pari passu in all respects with regards to voting rights and the winding up of the business with the ordinary shares.

12 Reserves

	Other Reserves £	Retained Earnings £
Balance at 1st January, 2016	53,000	985,482
Profit for the year	-	483,934
Dividend Paid	-	(980,000)
Balance at 31st December, 2016	<u>53,000</u>	<u>489,416</u>
Balance at 1st January, 2015	53,000	1,354,188
Profit for the year	-	981,294
Dividend Paid	-	(1,350,000)
Balance at 31st December, 2015	<u>53,000</u>	<u>985,482</u>

Other Reserves represents an undistributable reserve account established in 2006, when its ultimate parent undertaking at the time made a contribution to the Company. The contribution was made without any additional claim over the equity of the Company and there was no right to seek repayment.

Notes to the Financial Statements for the year ended 31 December 2016

13 Related Party Transactions

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £47,366 (2015: £25,505).

During the year the Company was re-charged £111,000 (2015: £109,000) by its ultimate holding company, Integrated Asset Management plc ("IAM"), towards the cost of central overheads. The Company received £nil (2015: £5,000) by way of a re-charge from IAM towards costs that it had incurred in the year. At the year end the Company was owed £3,444,353 (2015: £3,067,524) by IAM.

During the year the company purchased consultancy services of £nil (2015: £135,000) and introducer services of £41,119 (2015: £95,278) from Arcap Partners Limited, a company in which E.M. Arbib is a director. There was a balance of £43,755 (2015: £131,790) due to Arcap Partners Limited at the balance sheet date.

During the year the company purchased marketing services of £4,798 (2015: £8,725) from J D Farrods Group (Luxembourg) S.A., a company in which D. Masetti is a director. There was no balance due to (2015: £nil) J D Farrods (Luxembourg) S.A. at the balance sheet date.

During the year the Company charged Executive Management Fees of £76,980 (2015: £nil) to Integrated Energy Holdings S.A., a company in which E.M. Arbib and G. Fano are directors. At the year end, there was an amount of £77,247 (2015: £nil) due to the Company.

During the year the Company re-charged transaction costs of £107,607 (2015: £nil) to Econergy Renewables 1 SPA., a company in which E.M. Arbib and G. Fano are directors. There was no balance due to (2015: £nil) the Company at the year end.

During the year the Company charged a Finance Arrangement Fee of £297,989 (2015: £nil) to Integrated Energy Holdings S.A., a company in which E.M. Arbib and G. Fano are directors. There was no balance due to (2015: £nil) the Company at the year end.

During the year the Company purchased consultancy services of £62,081 (2015: £nil) from G. Fano who is a director of the Company. There was a balance due to Mr Fano of £64,372 (2015: £nil) at the year end.

14 Immediate and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is Integrated Asset Management Plc, a company registered in Great Britain, the financial statements of which can be obtained from 4 Hill Street, London, W1J 5NE.

The pages which follow do not form part of the audited statutory financial statements of the Company.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Unaudited Capital Requirements Directive Pillar 3 disclosure

Background

The Capital Requirements Directive ('the Directive') of the European Union created a revised regulatory framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Conduct Authority ('FCA') who has created new rules and guidance specifically through the creation of the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars':

Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;

Pillar 2 requires us, and the FCA, to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1; and

Pillar 3 requires us to develop a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets our obligation with respect to Pillar 3.

The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where we have considered a disclosure to be immaterial, we have stated this in the document.

In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. Where we have omitted information for either of these two reasons we have stated this in the relevant section and the reason for this.

Scope and application of the requirements

Integrated Alternative Investments Limited ("Integrated" or "the Firm") is authorised and regulated by the FCA and has permission to provide discretionary investment management and investment advisory services on behalf of professional clients and eligible counterparties.

The Firm is a wholly owned subsidiary of Integrated Asset Management plc, a UK domiciled company. The Firm is subject to consolidated reporting but holds an investment firm consolidation waiver.

INTEGRATED ALTERNATIVE INVESTMENTS LIMITED

Unaudited Capital Requirements Directive Pillar 3 disclosure (Continued)

Risk Management

Integrated is a Limited Liability Company. The Directors of the Firm determine its business strategy and risk appetite along with designing and implementing a risk management framework that recognizes the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Directors meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The Directors manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principle and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Firm is small with an operational infrastructure appropriate to its size. It carries no market risk, other than foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge.

The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital Item	£'000's
Tier 1 capital less innovative tier 1 capital	3,910
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	<u>3,910</u>

As discussed above the firm is a limited licence firm and as such its capital requirements are greater of:

Base capital requirement of €50,000; or
The sum of its market and credit risk requirements; or
Its Fixed Overhead Requirement.

It is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material. The Firm has not omitted any disclosures on the grounds of confidentiality.

Approved for issue 31 December 2016