

Aerium Finance Limited (AFL) Pillar III Disclosure and Policy

As at 31st December 2017

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through 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 amount that meets the firm's credit market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar III disclosure. This document is designed to meet our Pillar III obligations.

Disclosure Policy

Aerium Finance Limited ('AFL') is Authorised and Regulated by the Financial Conduct Authority ('FCA') to conduct investment business under the Financial Services and Markets Act 2000. AFL is a BIPRU firm as defined in the FCA's rulebook.

The AFL Board of Directors' policy is to review and approve the issue of the Company's Pillar 3 disclosures on an annual basis, unless circumstances necessitate additional disclosures. Disclosures are prepared in conjunction with the preparation of the annual statutory accounts.

The BIPRU 11 requirements allow firms to omit one or more of the disclosures listed under BIPRU 11.5 if the information provided by such disclosures is not regarded as material. The requirements similarly allow firms to omit items of information from the BIPRU 11.5 disclosures if the information is regarded as proprietary or confidential. The AFL Directors review any such omissions as part of the overall approval process. AFL 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 AFL's investment therein less valuable. Further, AFL must regard information as confidential if there are obligations to customers or other counterparty relationships binding AFL. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

AFL is a subsidiary of Aerium Investment Advisers Sàrl (Lux), an unregulated Luxemburg company. There is no UK Consolidation group and therefore this disclosure is

made on an individual basis under BIPRU 11.2.1. This disclosure is prepared in conjunction with the annual statutory accounts and FCA report covering the financial year ending 31st December 2017.

Regulatory & Business Profile

AFL is authorised to offer advice arrange deals, deal as agent, manage investments on property investment for professional private and institutional investors.

The Company has an issued ordinary share capital of £0.9 million and does not hold any client money. AFL do not operate under FCA waivers and do not use any FCA-approved valuation models or systems.

AFL Risk Management

The board of directors are responsible for determining the level of business risk acceptable to the company and ensure systems and controls are subject to regular review. Where appropriate, improvements are put in place. This is subject to a regular review.

Market Risk

The market for investing in property funds remains highly competitive. The company seeks to manage the risk of losing customers to key competitors (both within the UK and mainland Europe) by the provision of added value services to customers, and by maintaining strong relationships and local representation.

Foreign Currency Risk

The company is exposed to foreign exchange risk as some income is received in US Dollars and Euros. Movements in foreign currency exchange rates are reviewed to minimize foreign exchange losses.

Liquidity Risk

The company monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary. Surplus funds are placed on deposit with highly rated banks.

Interest rate risk

The company has no debt and current assets exceed current liabilities. Interest rate risk arises on the cash deposits held.

Operational risk

Major sources of operational risk include operational process, IT security, dependence on key suppliers, fraud, human error, regulatory compliance, recruitment, training, retention of staff, and social and environmental impact. The company has strict

operational procedures in place. The firm has documented its operational risk policy and the compliance and risk management is monitored and reported to the Board of Directors.

Reputational Risk

The risk of direct or indirect loss arising from damage to the AFL's reputation. Reputational risks exist as the potential outcome of risks occurring within other risk categories, i.e. operational risk, and do not exist in isolation. The identification and mitigation of reputational risks is therefore managed through processes for managing operational risks.

Credit risk

Credit risk is the risk of suffering financial loss from counterparties to clients. The company will be subject to the inability of any counterparty to perform its contractual obligation. The company has strengthened its client base and the long term relationship with the counterparties and therefore this risk is considered low.

Capital Resources

Our capital resources comprise of core Tier 1 capital only and therefore there are no other items at 31/12/2017, the Company had:

	£'000	£'000
Tier One Capital		
Permanent Share Capital	880	
Share Premium Account	0	
Audited Reserves	2,548	
Current Year's profits (include if audited)	0	
Revaluation Reserve	0	
Total Tier One Capital b/f		3,428
Deductions		
Material Current Year Losses		0
Material Holdings (see below): Sweetfairy		0
Tier One Capital after deductions		3,428
Tier Two Capital		0
Total Tier One plus Tier 2 Capital		3,428

Tier 1 capital represents Ordinary share capital and Audited Profit & Loss Account balances as at 31 December 2017.

Capital Requirements

In line with BIPRU firms, AFL's Pillar 1 requirement is the higher of its Fixed Overhead Requirement (FOR), its base requirement (€50k) or the sum of its market and credit risk. For 2017, the Company minimum capital requirement under Pillar 1 was a Fixed Overhead requirement of £2,346k. Tier 1 capital is £3,428k.

As required under the ICAAP process, the firm has conducted a detailed internal assessment of the risks and capital that it believes it should hold. This is its Pillar 2. The company assesses the impact by modelling changes in income and expenses caused by potential risks over a 3 year horizon. Based on its ICAAP assessment, the directors of the business consider that an appropriate level of capital to support current and future business requirements, when consideration of stress events and various key risk scenarios are taken into account, is £2,371k.

It is the view of AFL Management disclosure of further information is not necessary on the grounds of materiality, given the nature of AFL's business model, as already outlined.

REMUNERATION POLICY

The Board determines the Remuneration Policy and is comprised of the two directors. The Board sets and agrees the Remuneration Policy of AFL; reviews take place on an annual basis.

Any performance related remuneration is subject to the profits of AFL and is agreed by the Board. The Board may consider, amongst other things, the short and long term financial position of AFL along with other appropriate risk assessments have been considered before reaching a decision. In this fiscal year the Board agreed not to distribute a bonus.

Total remuneration for the Year End 2017 for Code staff was:

Employee information	
	2017
	£
Total	1,279,767