

Company Registration No. 06058014 (England and Wales)

ION ASSET ARCHITECTURE UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

TUESDAY



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ION ASSET ARCHITECTURE UK LIMITED

COMPANY INFORMATION

Director	Dennis Lohfert
Company number	06058014
Registered office	43-45 Dorset Street London W1U 7NA
Auditors	Fisher, Sassoon & Marks 43 - 45 Dorset Street London W1U 7NA

ION ASSET ARCHITECTURE UK LIMITED

CONTENTS

	Page
Strategic report	1
Director's report	2 - 3
Independent auditor's report	4
Profit and loss account	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 18

ION ASSET ARCHITECTURE UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The director presents the strategic report and financial statements for the year ended 31 December 2015.

Fair review of the business

The results for the year are acceptable and reflect the uncertain trading conditions experienced by the industry.

The board of directors have formalised a strategy that is expected to improve the performance of the company for the subsequent periods.

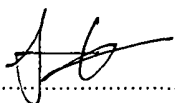
Development and performance

At the year end the company had net assets of £703,471 (2014 - £684,512).

Key performance indicators

The KPI's are current ratio which has increased to 4.51 (2014 - 1.93) and net profit margin which has decreased to 1.30% (2014 - 4.75%), due to an increase in administrative expenses.

On behalf of the board



.....
Dennis Lohfert

Director

13/04/16

ION ASSET ARCHITECTURE UK LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The director presents his annual report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the company relates to the provision of consultancy and hedge fund advisory services to the parent company and other funds.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Dennis Lohfert

Results and dividends

The results for the year are set out on page 5.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Financial instruments

Treasure operations and Financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company does not use interest rate derivatives to manage its exposure to changes in interest rates.

Foreign currency risk

The company's principal foreign currency exposures arise from making foreign currency transactions. The company does not hedge in order to fix the cost in sterling.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Post reporting date events

There are no matters to report.

Auditors

The auditors, Fisher, Sassoon & Marks, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ION ASSET ARCHITECTURE UK LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the director must not approve the financial statements unless he is 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 director is required to:

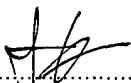
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....
Dennis Lohfert
Director
.....

ION ASSET ARCHITECTURE UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ION ASSET ARCHITECTURE UK LIMITED

We have audited the financial statements of Ion Asset Architecture UK Limited for the year ended 31 December 2015 set out on pages 5 to 18. 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 Financial Reporting Standard 102.

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 director and auditors

As explained more fully in the Director's Responsibilities Statement set out on 2 - 3, the director is 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Jonathan Marks (Senior Statutory Auditor)
for and on behalf of Fisher, Sassoon & Marks

Chartered Accountants
Statutory Auditor

.....
43 - 45 Dorset Street
London
W1U 7NA

ION ASSET ARCHITECTURE UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	2,074,711	1,768,777
Cost of sales		(204,027)	(156,243)
Gross profit		1,870,684	1,612,534
Administrative expenses		(1,844,931)	(1,530,628)
Operating profit	4	25,753	81,906
Interest receivable and similar income	7	1,264	2,104
Profit before taxation		27,017	84,010
Taxation	8	(8,058)	(13,085)
Profit for the financial year	14	18,959	70,925
Total comprehensive income for the year		18,959	70,925

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ION ASSET ARCHITECTURE UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	9		58,629		74,173
Current assets					
Debtors	11	179,694		578,056	
Cash at bank and in hand		648,987		688,552	
		828,681		1,266,608	
Creditors: amounts falling due within one year	12	(183,839)		(656,269)	
Net current assets			644,842		610,339
Total assets less current liabilities			703,471		684,512
Capital and reserves					
Called up share capital	13	550,000		550,000	
Profit and loss reserves	14	153,471		134,512	
Total equity			703,471		684,512

The financial statements were approved and signed by the director and authorised for issue on 13/01/2016.



 Dennis Lohfert
 Director

Company Registration No. 06058014

ION ASSET ARCHITECTURE UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2014		550,000	63,587	613,587
Period ended 31 December 2014:				
Profit and total comprehensive income for the year		-	70,925	70,925
Balance at 31 December 2014		550,000	134,512	684,512
Period ended 31 December 2015:				
Profit and total comprehensive income for the year		-	18,959	18,959
Balance at 31 December 2015		550,000	153,471	703,471

ION ASSET ARCHITECTURE UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Cash flows from operating activities					
Cash generated from operations	18		2,181		225,790
Income taxes paid			(13,085)		(8,409)
Net cash (outflow)/inflow from operating activities			(10,904)		217,381
Investing activities					
Purchase of tangible fixed assets		(29,925)		(57,289)	
Interest received		1,264		2,104	
Net cash used in investing activities			(28,661)		(55,185)
Net cash used in financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(39,565)		162,196
Cash and cash equivalents at beginning of year			688,552		526,356
Cash and cash equivalents at end of year			648,987		688,552

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Ion Asset Architecture UK Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 43-45 Dorset Street, London, W1U 7NA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Ion Asset Architecture UK Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents fees receivable from the parent company for the provision of consultancy and hedge fund advisory services as well as performance fees from funds under Ion Asset Architecture UK Limited's management.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	3 Years Straight Line
Computer equipment	3 Years Straight Line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2015	2014
	£	£
Turnover		
Fees	2,074,711	1,768,777

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3 Turnover and other revenue (Continued)

Other significant revenue		
Interest income	1,264	2,104

Turnover analysed by geographical market

	2015 £	2014 £
U.K	2,074,711	1,768,777

4 Operating profit

	2015 £	2014 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	6,630	915
Fees payable to the company's auditors for the audit of the company's financial statements	6,025	5,000
Depreciation of owned tangible fixed assets	45,469	37,043

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2015 Number	2014 Number
Administration	4	3
IT	1	1
Traders	7	7
Development	2	1
Operations	2	1
	16	13

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	1,027,830	927,265
Social security costs	123,338	111,902
	1,151,168	1,039,167

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Director's remuneration

	2015 £	2014 £
Remuneration for qualifying services	125,000	190,000

7 Interest receivable and similar income

	2015 £	2014 £
Interest income		
Interest on bank deposits	1,264	2,104

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,264	2,104
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8 Taxation

	2015 £	2014 £
Current tax		
UK corporation tax on profits for the current period	8,058	13,085

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2015 £	2014 £
Profit before taxation	27,017	84,010
Expected tax charge based on a corporation tax rate of 20.02% (2014 - 21.00%)	5,409	17,642
Tax effect of expenses that are not deductible in determining taxable profit	104	496
Permanent capital allowances in excess of depreciation	(6,552)	(12,784)
Depreciation on assets not qualifying for tax allowances	9,094	7,731
Other permanent differences	3	-
Tax expense for the year	8,058	13,085

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

9 Tangible fixed assets

	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost			
At 1 January 2015	12,991	148,117	161,108
Additions	7,060	22,865	29,925
At 31 December 2015	20,051	170,982	191,033
Depreciation and impairment			
At 1 January 2015	6,024	80,911	86,935
Depreciation charged in the year	4,990	40,479	45,469
At 31 December 2015	11,014	121,390	132,404
Carrying amount			
At 31 December 2015	9,037	49,592	58,629
At 31 December 2014	6,967	67,206	74,173

10 Financial instruments

	2015 £	2014 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	733,672	1,173,186
Carrying amount of financial liabilities		
Measured at amortised cost	142,263	596,303

11 Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	21,055	435,004
Other debtors	91,816	73,583
Prepayments and accrued income	66,823	69,469
	179,694	578,056

Other debtors includes a rent deposit in the sum of £63,130 (2014: £49,430) assigned to the landlord under a rent deposit agreement.

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

12 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	45,020	59,382
Corporation tax payable	8,058	13,085
Other taxation and social security	33,518	46,881
Other creditors	34,994	42,091
Accruals and deferred income	62,249	494,830
	<u>183,839</u>	<u>656,269</u>

13 Share capital

	2015 £	2014 £
Ordinary share capital		
Authorised		
550,000 Ordinary Shares of £1 each	<u>550,000</u>	<u>50,000</u>
Issued and fully paid		
550,000 Ordinary Shares of £1 each	<u>550,000</u>	<u>550,000</u>

14 Profit and loss reserves

	2015 £	2014 £
At beginning of year	134,512	63,587
Profit for the year	18,959	70,925
	<u>153,471</u>	<u>134,512</u>

15 Events after the reporting date

There are no matters to report.

16 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2015 £	2014 £
Aggregate compensation	<u>125,000</u>	<u>190,000</u>

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

16 Related party transactions

(Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Service fees	
	2015	2014
	£	£
Ion Asset Architecture Limited	1,960,000	1,255,000
	<u>1,960,000</u>	<u>1,255,000</u>

During the year the company received service fee income from the parent entity Ion Asset Architecture Limited in the sum of £1,960,000 (2014: £1,255,000).

17 Controlling party

The ultimate parent entity is Ion Asset Architecture Limited, an entity operating and registered in Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

18 Cash generated from operations

	2015	2014
	£	£
Profit for the year	18,959	70,925
Adjustments for:		
Income tax expense	8,058	13,085
Investment income	(1,264)	(2,104)
Depreciation and impairment of tangible fixed assets	45,469	37,043
Movements in working capital:		
Decrease/(increase) in debtors	398,362	(360,334)
(Decrease)/increase in creditors	(467,403)	467,175
Cash generated from operations	<u>2,181</u>	<u>225,790</u>

19 Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 January 2014	31 December 2014
	£	£
Equity as reported under previous UK GAAP and under FRS 102	<u>613,58768</u>	<u>4,512</u>

ION ASSET ARCHITECTURE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

19 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss

2014
£

Profit or loss as reported under previous UK GAAP and under
FRS 102

70,925

As restated

70,925

ION ASSET ARCHITECTURE UK LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

ION ASSET ARCHITECTURE UK LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	£	2015 £	£	2014 £
Turnover				
Sales of goods		2,074,711		1,768,777
Cost of sales				
Direct costs	204,027		156,243	
		(204,027)		(156,243)
Gross profit		1,870,684		1,612,534
Administrative expenses		(1,844,931)		(1,530,628)
Operating profit		25,753		81,906
Investment revenues				
Bank interest received	1,264		2,104	
		1,264		2,104
Profit before taxation		27,017		84,010

ION ASSET ARCHITECTURE UK LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Administrative expenses		
Wages and salaries	902,830	737,265
Social security costs	123,338	111,902
Staff welfare	14,291	5,040
Staff training and recruitment	84,109	54,578
Directors' remuneration	125,000	190,000
Rent re licences and other	368,334	252,917
Premises insurance	415	403
Computer running costs	35,953	34,573
Hire of equipment (not operating lease)	-	500
Travelling expenses	15,745	6,219
Professional subscriptions	4,207	695
Legal and professional fees	32,910	20,263
Consultancy fees	21,567	20,394
Accountancy	100	1,625
Audit fees	6,025	5,000
Charitable donations	2,500	-
Bank charges	1,977	1,050
Printing and stationery	9,930	7,948
Telecommunications	42,363	39,655
Entertaining	520	2,375
Sundry expenses	718	268
Depreciation	45,469	37,043
Profit or loss on foreign exchange	6,630	915
	<u>1,844,931</u>	<u>1,530,628</u>

Pillar 3 Disclosure

1. Background

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 regulatory capital requirement for a firm. A BIPRU firm must maintain capital resources which are at least equal to the base capital resources requirement. A firm must also meet the variable capital requirement which is the higher of (i) the sum of credit and market risk capital requirement and (ii) fixed overheads requirement ('FOR').

Pillar 2: requires a firm to regularly assess the amount of internal capital it considers adequate to cover all the risks to which it is exposed under the overarching Pillar 2 rule. The process is known as the Internal Capital Adequacy Assessment Process ('ICAAP') and is the firm's internal responsibility.

Pillar 3: requires a firm to make disclosures to the market which will allow market participants to assess key information on firm's capital, risk exposures and risk assessment process.

Disclosure Policy

Ion Asset Architecture UK Limited ('Ion' / 'Company') adopts this policy to comply with disclosure requirements and to assess the appropriateness of the Company's Pillar 3 market disclosures, including their verification and frequency. This document is set out to meet the Pillar 3 obligations of Ion. Ion is a wholly owned subsidiary of Ion Asset Architecture Limited. Ion is not a part of a consolidation group and as such Pillar 3 disclosure is prepared on solo basis. The requirements for Pillar 3 disclosures are detailed in BIPRU 11.

Frequency and location of disclosure

The Company will be making Pillar 3 disclosures on annual basis and it will be published on Ion's website www.ion.fm.

Preparation and Verification

These disclosures explain the basis of preparation of certain capital requirements and provide information about the management of specific risks. They do not constitute audited financial statements and have been produced solely for the purposes of Pillar 3.

Pillar 3 Disclosure

2. Risk Management Framework

The Director determines the business strategy and risk appetite of the Company, taking into account all the laws and regulations. The Company's risk framework is transparent in its form and implementation. Specific personnel are assigned responsibility for the risks across business units. Risks and mitigating controls are periodically reassessed, taking into account Company's risk appetite. The Director of the Company periodically reviews the quality of the risk management framework to ensure that appropriate controls are in place and that mitigating actions are moving forward.

ICAAP constitutes the base of Ion's risk management framework. Within this process the potential risks have been singled out and the likelihood and impact of those happening identified. Any inherent risks have been mitigated by imposing internal controls giving residual risk rating, against which adequate capital have been assigned.

This methodology ensures that should any of the assumed risks crystallised, sufficient capital has been kept in reserves and adverse events would not bring damage to Ion and/or its Investors.

The Director has identified below the main risks to which the Firm is exposed.

Credit Risk: the risk of a client or counterparty defaulting on their obligations. Ion has some appetite for credit risk; however, the Firm's exposure to credit risk is low, given that it mainly has exposure to the Ion Group¹ and to reputable financial institutions.

Operational Risk: the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

Business Risk: this is risk arising from changes in the Company business, including that Ion may not be able to carry out its activities. It is exposed to a wide range of macro-economic, geopolitical, industry, regulatory and other external risks that might adversely impact the Company's strategy. Strong knowledge of the markets, products and technology are the main mitigants. Additionally, ongoing stress testing is conducted to evaluate potential impact.

Market Risk: the risk that Ion's revenue and/or operations might be damaged by adverse market conditions. Ion does not trade as principal, act as a market maker or hold proprietary positions. The Company is therefore not subject to proprietary 'Position Risk'. The Company is, however, subject to market risk on short term positions resulting from foreign currency exposures in currencies other than GBP (the reporting currency).

1 Ion Group – Close Links and Controllers

Pillar 3 Disclosure

3. Regulatory Capital Reserves Requirement

Pillar 1

Ion is authorised by the FCA as a Full-scope UK Alternative Investment Fund Manager and is categorised by the FCA for prudential regulatory as a BIPRU EUR 125k firm. Pillar 1 capital resources requirement is set at the higher of (i) EUR 125k, (ii) the sum of the market and credit risk requirements for Ion, or (iii) the FOR. Ion Pillar 1 capital requirement is GBP 515k, which represents the FOR. The Company takes a prudent approach to the management of its capital base and monitors its expenditure on a monthly basis in order to take account of any material fluctuations, which may cause its FOR to be reassessed. Ion ensures that at all times it has sufficient capital to meet its FOR and verifies this on a monthly basis.

Pillar 2

The capital required under Pillar 2 is the sum of the capital required under Pillar 1 plus any additional capital required to be maintained against risks not adequately covered by Pillar 1 capital. Ion's approach to assessing the adequacy of its internal capital is set out in its ICAAP. The ICAAP involves consideration of a range of risks faced by the company and determines the level of capital needed to cover these risks.

Ion believes it has taken a prudent approach to its Pillar 2 calculations and that both, its capital resources and solvency, are sufficient to meet the company's operational and other risk requirements and that these capital resources are also adequate to support its operations without any need for additional injections of capital over the period considered within the business plan forecasts contained within the ICAAP. Stress and scenario tests performed during the ICAAP support management's view that adequate additional capital is held by the firm under Pillar 2.

4. Ion's capital resources as at 1 April 2015 are as represented in the table below.

Ion's Capital Resources	
	GBP (thousands)
Tier 1 Capital	684
Deductions	0
Tier 2 Capital	0
Deductions	0
Total Capital	684

Calculations	Pillar 1	Pillar 2
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Pillar 3 Disclosure

	GBP (thousands)	GBP (thousands)
Credit Risk (1)	30	
Market Risk (2)	0	
Fixed Overhead Requirement (FOR, (3))	515	
Variable Capital Requirement (higher of sum of 1 & 2 or 3 above)	515	
Base Capital Requirement (€125k)	91	
Pillar 1 (minimum Regulatory Capital requirement)	515	
Business Risk		97
Operational Risk		68
Credit Risk		30
Market Risk		97
Liquidity Risk		30
Group Risk		6
Pillar 2		327
Wind Down (net)		372
Eligible Regulatory Capital (A)		684
Minimum Regulatory Capital requirement (B)		515
Surplus (A-B)		169
Solvency Ratio		133%

5. Remuneration Disclosure

Ion is expected to meet requirements of the Remuneration Code set out in SYSC 19C and apply it appropriately according to its size, nature and complexity of its business.

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

The Remuneration Code applies to 'Remuneration Code Staff' ('Code Staff'). This includes senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile.

Ion's remuneration policy structures incentives (i.e. bonuses) in such a way that it is not total performance, which determines the final bonus amount. Rather it is the risk-adjusted performance that is used to calculate any bonus payment to trading/investment management staff. Even if a member of staff is responsible for large amounts of revenue to the firm or funds, his or her bonus payment may be minimal if such revenue was achieved by taking a large amount of risk. This aligns Code Staff incentives with the interest of investors (and of the firm) which are interested in stable, long-term capital growth.