

# **Renaissance Institutional Management (UK) Limited**

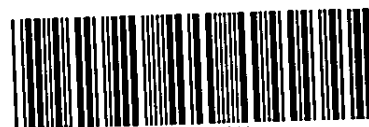
Report and Financial Statements

Year Ended

31 December 2011

Registered Number 5730810

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# **Renaissance Institutional Management (UK) Limited**

## **Annual report and financial statements for the year ended 31 December 2011**

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### **Directors**

Mendel Mark Silber  
Robert Alexander Crenian (appointed 15 March 2011)  
Matthew Scanlan (resigned as of 31 December 2011)

### **Secretary and registered office**

Katten Muchin Rosenman UK LLP, 125 Old Broad Street, London, EC2N 1AR

### **Company number**

5730810

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

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# **Renaissance Institutional Management (UK) Limited**

## **Report of the directors for the year ended 31 December 2011**

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The directors present their report together with the audited financial statements for the year ended 31 December 2011

### **Results and dividends**

The profit and loss account is set out on page 6 and shows the profit for the year. The directors do not recommend the payment of a dividend.

### **Principal activities, trading review and future developments**

Renaissance Institutional Management (UK) Limited ("the Company") was incorporated in England and Wales and is registered with the Financial Services Authority ("FSA") to provide services as an intermediary Securities and Futures Firm, effective from 31 July 2006. The Company is a wholly owned subsidiary of Renaissance Institutional Management LLC ("RIM" or "the Parent").

The Company engages in the private placement of securities and the solicitation and referral of clients and investors to Renaissance Technologies LLC ("Renaissance") which is the ultimate parent company and to private investment funds managed by Renaissance.

### **Business review**

The performance of the Company is measured in terms of the solicitation and referral of clients to Renaissance and to private investment funds managed by Renaissance.

### **Principal risks and uncertainties**

The main financial risk arising from the Company's activities is liquidity risk. This is monitored by the board of directors and is not considered to be significant at the balance sheet date.

The Company's policy in respect of liquidity risk is to maintain readily accessible bank deposit accounts to ensure the Company has sufficient funds for operations. The cash deposits are held in current accounts which earn interest at a floating rate.

### **Directors**

The directors of the Company during the year were:

Mendel Mark Silber  
Robert Alexander Crenian (appointed 15 March 2011)  
Matthew Scanlan (resigned 31 December 2011)

No director had any interest in the ordinary shares of the Company.

Messrs Silber and Scanlan (resigned 31 December 2011) are officers of RIM.  
Mr Silber is an officer of Renaissance.

# **Renaissance Institutional Management (UK) Limited**

## **Report of the directors for the year ended 31 December 2011 (*Continued*)**

### **FSA Pillar 3 Disclosures**

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

### **Directors' responsibilities**

The directors are responsible for preparing the annual 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.

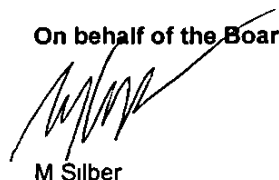
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

**On behalf of the Board**



M Silber

**Director**

23 February 2012

# **Renaissance Institutional Management (UK) Limited**

## **Independent Auditor's Report to the Shareholder's of Renaissance Institutional Management (UK) Limited**

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We have audited the financial statements of Renaissance Institutional Management (UK) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the reconciliation of movements in shareholder's funds, the balance sheet, the cash flow statement 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).

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder 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 Auditing Practices Board's (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### *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 2011 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Renaissance Institutional Management (UK) Limited

## Independent Auditor's Report to the Shareholder's of Renaissance Institutional Management (UK) Limited

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### *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



Neil Fung-On (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
23 February 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Renaissance Institutional Management (UK) Limited

## Profit and loss account for the year ended 31 December 2011

	Note	2011 \$	2010 \$
<b>Turnover</b>	2	<b>4,019,536</b>	5,186,382
<b>Gross profit</b>		<b>4,019,536</b>	5,186,382
Administrative expenses		<b>3,593,492</b>	4,815,366
<b>Operating profit</b>	5	<b>426,044</b>	371,016
Interest receivable		<b>2,097</b>	1,898
Interest payable	6	<b>(437)</b>	(345)
<b>Profit on ordinary activities before taxation</b>		<b>427,704</b>	372,569
Taxation on profit on ordinary activities	7	<b>(136,197)</b>	(123,235)
<b>Profit on ordinary activities after taxation</b>		<b>291,507</b>	249,334

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 10 to 16 form part of these financial statements

## **Renaissance Institutional Management (UK) Limited**

### **Reconciliation of movements in shareholder's funds for the year ended 31 December 2011**

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	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Profit for the year	<b>291,507</b>	249,334
Opening shareholder's funds	<b>4,393,273</b>	4,143,939
	<hr/>	<hr/>
Closing shareholder's funds	<b>4,684,780</b>	4,393,273
	<hr/>	<hr/>

The notes on pages 10 to 16 form part of these financial statements

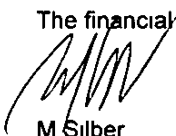


# Renaissance Institutional Management (UK) Limited

Balance sheet  
at 31 December 2011  
Registered Number: 5730810

	Note	2011 \$	2011 \$	2010 \$	2010 \$
<b>Fixed assets</b>					
Tangible assets	8		183,814		250,886
<b>Current assets</b>					
Debtors	9	897,529		1,491,695	
Cash at bank and in hand		3,785,349		4,624,606	
		<u>4,682,878</u>		<u>6,116,301</u>	
<b>Creditors amounts falling due within one year</b>	10	<u>181,912</u>		<u>1,958,085</u>	
<b>Net current assets</b>			<u>4,500,966</u>		<u>4,158,216</u>
<b>Total assets less current liabilities</b>			<u>4,684,780</u>		<u>4,409,102</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>-</u>		<u>15,829</u>
			<u>4,684,780</u>		<u>4,393,273</u>
<b>Capital and reserves</b>					
Called up share capital	13		3,032,350		3,032,350
Profit and loss account	14		1,652,430		1,360,923
<b>Shareholder's funds</b>			<u>4,684,780</u>		<u>4,393,273</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 February 2012

  
M Silber  
Director

The notes on pages 10 to 16 form part of these financial statements

# Renaissance Institutional Management (UK) Limited

## Cash flow statement for the year ended 31 December 2011

	Note	2011 \$	2011 \$	2010 \$	2010 \$
<b>Net cash (outflow)/inflow from operating activities</b>	18		(713,782)		191,980
<b>Returns on investments and servicing of finance</b>					
Interest received		2,097		1,898	
Interest paid		(437)		(345)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			1,660		1,553
<b>Taxation</b>			(127,135)		(161,262)
<b>(Decrease)/increase in cash</b>	19		(839,257)		32,271

The notes on pages 10 to 16 form part of these financial statements

# Renaissance Institutional Management (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2011

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

#### *Turnover*

Turnover primarily represents placement fees for services provided relating to the private placement of securities and the solicitation and referral of clients and investors to Renaissance. Turnover is recognised when earned

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives as follows

Fixtures, fittings and equipment	-	3 - 7 years
Leasehold improvements	-	over term of lease (not to exceed 10 years)

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the 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 except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease

#### *Deferred rent*

Lease incentives, such as rent free periods, are recognized on a straight line basis from the lease commencement date until the first rent review date. Deferred rent represents the difference between rent charged on a straight line basis and amounts paid under the terms of the lease

# Renaissance Institutional Management (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2011 (*Continued*)

### 1 Accounting policies (*Continued*)

#### *Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

#### *Reporting currency*

The Company's reporting currency is the US dollar.

#### *Foreign currency*

Foreign currency transactions are translated into US dollars at the rate ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Rates utilised as at 31 December 2011 were \$1 - £0.64701 and \$1 - €0.77220 (2010 - \$1 - £0.64638 and \$1 - €0.75455). Any translation gains or losses are taken to the profit and loss account.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### 2 Turnover

Turnover is wholly attributable to the principal activity of the Company and is received from the Parent.

### 3 Employees

	2011 \$	2010 \$
Staff costs consist of		
Wages and salaries	1,983,644	3,573,824
Social security costs	177,388	195,796
Other pension and benefit costs	91,706	137,846
	<u>2,252,738</u>	<u>3,907,466</u>

The average number of employees during the year was 3 (2010 - 6).

# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2011 (*Continued*)

## 4 Directors' remuneration

	2011 \$	2010 \$
Directors' emoluments and emoluments of the highest paid director	748,188	942,972
Pension contributions	15,656	12,250
	<u>          </u>	<u>          </u>

## 5 Operating profit

	2011 \$	2010 \$
This has been arrived at after charging		
Auditors' remuneration – audit services	17,089	16,334
Operating lease rentals	279,164	246,689
Foreign exchange loss	93,845	16,377
	<u>          </u>	<u>          </u>

## 6 Interest payable

	2011 \$	2010 \$
Bank interest	437	345
	<u>          </u>	<u>          </u>

## 7 Taxation on profit on ordinary activities

	2011 \$	2010 \$
<i>Current tax</i>		
UK corporation tax on profits of the year	134,867	121,734
Prior year tax adjustment	5,412	7,552
	<u>          </u>	<u>          </u>
Total current tax	140,279	129,286
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4,082)	(6,051)
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities	<u>136,197</u>	<u>123,235</u>

# Renaissance Institutional Management (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)

### 7 Taxation on profit on ordinary activities (Continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2011 \$	2010 \$
Profit on ordinary activities before tax	<b>427,704</b>	372,569
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010-28%)	<b>113,341</b>	104,320
Effects of		
Expenses not deductible for tax purposes	<b>12,070</b>	14,904
Depreciation on assets not eligible for capital allowances	<b>9,456</b>	8,084
Marginal relief	-	(5,574)
Prior year adjustment	<b>5,412</b>	7,552
Current tax charge for year	<b>140,279</b>	129,286

### 8 Tangible assets

	Leasehold improvements \$	Fixtures, fittings and equipment \$	Total \$
<i>Cost</i>			
At 1 January 2011	277,407	345,758	623,165
At 31 December 2011	<b>277,407</b>	<b>345,758</b>	<b>623,165</b>
<i>Depreciation</i>			
At 1 January 2011	120,179	252,100	372,279
Provided for the year	27,042	40,030	67,072
At 31 December 2011	<b>147,221</b>	<b>292,130</b>	<b>439,351</b>
<i>Net book value</i>			
At 31 December 2011	<b>130,186</b>	<b>53,628</b>	<b>183,814</b>
At 31 December 2010	157,228	93,658	250,886

# Renaissance Institutional Management (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2011 *(Continued)*

### 9 Debtors

	2011 \$	2010 \$
Amounts due from parent	451,573	981,075
Other debtors	334,545	401,456
Prepayments	89,832	90,316
VAT recoverable	21,579	18,848
	<u>897,529</u>	<u>1,491,695</u>

Included within other debtors at 31 December 2011 was \$334,459 (2010- \$401,274) relating to a rent deposit which is recoverable in more than one year

### 10 Creditors, amounts falling due within one year

	2011 \$	2010 \$
Amounts owed to ultimate parent company	20,173	1,803,602
Corporation tax	134,867	121,734
Deferred tax	396	4,478
Other creditors	7,266	9,920
Accruals	19,210	18,351
	<u>181,912</u>	<u>1,958,085</u>

### 11 Creditors amounts falling due after more than one year

	2011 \$	2010 \$
Other creditors - deferred rent	-	15,829
	<u>-</u>	<u>15,829</u>

### 12 Deferred Tax

		Deferred taxation	\$
At 1 January 2011			4,478
Charged to profit and loss account			(4,082)
At 31 December 2011			396
	2011	2010	
	\$	\$	
Accelerated capital allowances	396	4,478	

# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2011 (Continued)

## 13 Share capital

	2011 Number	Authorised 2011 \$	2010 Number	2010 \$
Ordinary shares of \$1 each	10,000,000	10,000,000	10,000,000	10,000,000
	2011 Number	Allotted, called up fully paid 2011 \$	2010 Number	2010 \$
Ordinary shares of \$1 each	3,032,350	3,032,350	3,032,350	3,032,350

## 14 Reserves

	Profit and loss account \$
At 1 January 2011	1,360,923
Profit for year	291,507
At 31 December 2011	1,652,430

## 15 Commitments under operating lease

As at 31 December 2011 and 2010, the Company had an annual commitment under a non-cancellable operating lease as set out below

	2011 Land and buildings \$	2010 Land and buildings \$
Operating lease which expires		
Within 2 – 5 years	284,694	284,919

## 16 Related party transactions

As 100% of the voting rights of the Company are controlled within the group headed by Renaissance, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group



# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2011 (Continued)

## 17 Pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions by the Company to the fund and amounted to \$35,904 (2010 - \$72,120). Contributions totalling \$7,266 (2010 - \$9,920) were payable to the fund at the balance sheet date and are included in creditors.

## 18 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2011	2010
	\$	\$
Operating profit	426,044	371,016
Depreciation	67,072	84,919
Decrease/ (increase) in debtors	594,166	(135,438)
Decrease in creditors	(1,801,053)	(128,517)
Foreign exchange translation loss	(11)	-
	<u>(713,782)</u>	<u>191,980</u>

## 19 Reconciliation of net cash (outflow)/inflow to movement in net funds

	2011	2010
	\$	\$
(Decrease)/increase in cash in the year	(839,257)	32,271
	<u>(839,257)</u>	<u>32,271</u>
Movement in net funds		
	<u>(839,257)</u>	<u>32,271</u>
Opening net funds	4,624,606	4,592,335
Closing net funds	<u>3,785,349</u>	<u>4,624,606</u>

## 20 Analysis of net funds

	1 January 2011	Cash flow	31 December 2011
	\$	\$	\$
Cash in hand and at bank	4,624,606	(839,257)	3,785,349
	<u>4,624,606</u>	<u>(839,257)</u>	<u>3,785,349</u>
Total	<u>4,624,606</u>	<u>(839,257)</u>	<u>3,785,349</u>

## 21 Ultimate parent company

At 31 December 2011 the Company's immediate parent company was RIM, a US Company. The Company's ultimate controlling party is Renaissance, which published consolidated financial statements for the group. The consolidated accounts are kept on file at the registered office at 800 Third Avenue, New York, NY 10022, USA.

**Renaissance Institutional Management (UK) Limited**  
**Unaudited Pillar 3 disclosures**  
**31 December 2011**

# Renaissance Institutional Management (UK) Limited

## Unaudited Pillar 3 Disclosures 31 December 2011

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# **Renaissance Institutional Management (UK) Limited**

## **Unaudited Pillar 3 Disclosures 31 December 2011**

### **Overview**

### **Background**

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision. This accord, now referred to as Basel I, helped to strengthen the stability of the international financial system as a result of the higher capital ratios that it required.

The Basel II accord is a revision of the existing framework, which aims to make the framework more risk sensitive and representative of the current day risk management practices.

The accord was implemented in the European Union ("EU") through the Capital Requirements Directive ("CRD"). The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars:

- Pillar 1 specifies the minimum capital requirements of firms to cover credit, market and operational risk,
- Pillar 2 requires firms to assess the need to hold additional capital to cover risks not covered under Pillar 1, and
- Pillar 3 requires a set of disclosures to be made which enable market participants to assess information on firms' capital, risk exposures and risk management procedures.

The disclosure requirements in Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Companies (BIPRU 11) aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the firm. This disclosure represents Renaissance Institutional Management (UK) Limited ("RIM UK," the "Company" or the "Firm") Pillar 3 disclosures.

### **Basis of disclosure**

This document has been prepared by RIM UK in line with its internal policy for Pillar 3 disclosure and the Financial Services Authority (FSA) requirements.

The FSA holds responsibility for implementing the CRD within the United Kingdom and has set out its minimum disclosure requirements in its handbook under BIPRU 11.

The effective date of these disclosures is as at 31 December 2011. Values are based on year end values or 12 month accounting periods observed from RIM UK's statutory accounts and management accounting reports.

### **Frequency of disclosure**

Due to the scale of the Company's operations and activities, the Board has decided that disclosures should be published annually.

Disclosures will be made on an annual basis and made available shortly after filing of the Company's statutory accounts has been completed.

### **Location of disclosure**

Disclosures will be available from 800 Third Avenue, New York, NY, USA.

### **Scope of disclosure**

RIM UK is categorised as a BIPRU €50k / Limited Licence firm and in compliance with the Capital Requirements Directive has produced these Pillar 3 disclosures on a solo basis.

These disclosures have been prepared in US Dollars as this is the reporting currency of the Company. These disclosures have not been subject to external audit.

### **Risk management objectives and policy**

# Renaissance Institutional Management (UK) Limited

## Unaudited Pillar 3 Disclosures 31 December 2011

### General risk mitigation arrangements

RIM UK's principal activity is providing private placement of securities and the solicitation and referral of clients and investors to Renaissance Technologies LLC ("Renaissance"), the ultimate parent of the Company, and to private investment funds managed by Renaissance. Renaissance is an SEC registered investment adviser which provides investment advice to related entities and several institutional accounts.

The Company has been FSA regulated since 31 July 2006. Its Part IV Permission allows it to arrange and make arrangements for Professional Clients and Eligible Counterparties (please note that by definition it cannot advise or manage investments on a discretionary basis for Eligible Counterparties). The Firm cannot hold or control Client Money. The Firm holds Passports to provide cross border services and activities.

The Company is a wholly owned subsidiary of Renaissance Institutional Management LLC ("RIM LLC"), a company organized and based in the USA. RIM LLC engages in the private placement of securities and the solicitation and referral of clients and investors to Renaissance, and to private investment funds managed by Renaissance.

A risk framework document has been prepared and is reviewed by management annually for changes to risks, the risk scoring and capital requirements, and more frequently if it is felt necessary.

The Internal Capital Adequacy Assessment Process ("ICAAP") and risk framework are used as key management tools to assist management in monitoring and assessing the Company's risks and the efficacy of the controls in place to mitigate those risks.

### Capital resources

#### Regulatory capital as at 31 December 2011

Total regulatory capital (audited)

	\$'000's
Permanent share capital	3,032
Retained earnings	1,653
<i>Total Tier 1</i>	<b>4,685</b>
Tier 2	-
Tier 3	-
<b>Total regulatory capital</b>	<b>4,685</b>

### Capital

The capital of RIM UK is solely classified as Tier 1 capital. Tier 1 capital is comprised of permanent share capital and the audited profit and loss reserves.

The profit and loss reserves are as at 31 December 2011, per the latest audited financial statements.

RIM UK has no innovative Tier 1 capital instruments or deductions.

RIM UK has no Tier 2 or Tier 3 capital.

### Ensuring our capital is adequate and Pillar 1 requirement

RIM UK needs to ensure it retains enough capital to adequately finance its current and future activities. Each year an annual planning process looks at major expected events and on-going business. The financial impact of this plan is recorded in the Firm's budget and the Firm's capital forecast is reviewed in light of the results. Where necessary the capital is adjusted.

During any financial year, opportunities and issues may arise which need a re-assessment of the Firm's capital needs. At this point RIM UK will update the financial forecast and capital resources model to reassess the impact on capital.

# **Renaissance Institutional Management (UK) Limited**

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### **Capital adequacy summary**

#### **Capital Management Policy**

The Company's policy in respect of capital adequacy is to maintain a strong capital base to retain a healthy capital surplus over required amounts to carry on operations

The Company's capital requirements are set out and monitored by the FSA. Regulatory capital consists of Tier 1 capital, which includes share capital and retained earnings

#### **Internal Capital Adequacy Assessment Process (ICAAP)**

The FSA set regulatory obligations under Pillar 2 of the Capital Requirements Directive (CRD) which require all firms within the scope of CRD to have an ICAAP

This includes requirements on RIM UK to

- Carry out regular assessments of the amounts, types and distribution of financial resources, capital resources and internal capital that it considers adequate to cover the nature and level of risks to which it is or might be exposed,
- Identify the major sources of risk to its ability to meet its liabilities as they fall due,
- Conduct stress and scenario tests,
- Ensure that the processes, strategies and systems required by the overall Pillar 2 rule and used in its ICAAP are both comprehensive and proportionate to the nature, scale and complexity of RIM UK's activities,
- Document its ICAAP

#### **Minimum capital requirement- Pillar 1**

RIM UK must maintain capital resources equal to or in excess of its base capital requirement (€50k) and its Variable Capital Requirement in accordance with GENPRU 2 1 40

The Variable Capital Requirement is determined by the higher of the sum of the market and credit risk, or the Fixed Overhead Requirement (FOR)

For 2011, RIM UK's minimum capital requirement under Pillar 1 was \$445,000. This was calculated in accordance with GENPRU 2 1 54

#### **Pillar 2 Assessment**

As required under the ICAAP process, RIM UK has carried out a detailed internal assessment of the risks and capital that it believes it should hold. The risks considered include concentration, reputational, interest rate, liquidity and residual/other risks and can be classified under the headings of credit, operational and market risks

The Company's total Internal Capital Adequacy requirement is \$545,000, an increase of \$100,000 as a result of Pillar 2

Additional capital has been provided in the unlikely event that registered employees leave the business. This equates to \$100,000 of additional capital

The Board does not believe there are any other additional capital requirements on the Company as a result of their assessment of other risk categories listed above

#### **Specific risk management policies**

#### **Risk identification**

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RIM UK has undertaken an assessment of the relevance and prevalence of risks as they apply to the Company within the ICAAP

The following disclosures detail the exposures required under BIPRU 11, namely market risk, credit risk and operational risk. There were no other risks identified that resulted in separate capital requirements under Pillar 2.

### Market risk

Market risk is the risk that changes in market prices will affect the Company's income and balance sheet exposures.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

RIM UK does not hold proprietary positions which could expose the Company to the direct risks of market fluctuations. The Company does, however, hold exposures in foreign currencies, which results in a market risk requirement of \$329,000 as at 31 December 2011.

### Credit risk

The main risk to which the Company is exposed is a loss of revenue from the parent company, which could arise from a market downturn or a loss of reputation of the parent company.

The Company control environment provides protection in relation to its obligations and reputation but cannot mitigate the risk of a market downturn or the reputation of the parent. In the particular circumstances of the Company's ultimate parent, management continues to successfully manage the reputational risk of the ultimate parent company. In a worst case scenario, sufficient capital is in place to allow an orderly wind down.

RIM UK is also exposed to credit risk through its other debtors, cash deposits, intercompany balances and prepayments.

The largest risk of the Company is the credit risk in relation to its cash balances. The Company considers the credit rating of banks used and carries out due diligence in order to gain comfort over the recoverability of these balances.

The Company calculates its credit risk using the simplified method of the standardised approach under BIPRU 3.5.

### Customer analysis

The numerical disclosures include the total amounts after accounting offsets and without taking into account the effects of credit risk mitigation and are shown for the Company. The exposures are analysed by class, geographical distribution and residual maturity.

### Maximum credit risk exposure by class

31 December 2011	31 December 2011
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	\$'000 Exposure	\$'000 Credit risk requirement
Tangible fixed assets	184	15
Other debtors		
Corporates	334	27
Institution due within 1 year	452	7
Government institution	22	-
Prepayments and accrued income		
Corporates	90	7
Cash at bank and in hand		
Bank	3,783	60
Cash in hand	2	-
	<b>4,867</b>	<b>116</b>

### Geographical distribution by exposures class

	31 December 2011 \$'000
United Kingdom	
Corporates	425
Government institution	21
Bank	3,783
Other	186
	<b>4,415</b>
USA	
Institutions	452
	<b>4,867</b>

### Residual maturity of assets by exposure class

2011	Current \$'000	Over 3 months \$'000	Over 5 years \$'000
Bank	3,783	-	-
Institution	452	-	-
Corporates	90	334	-
Government institution	22	-	-
Other	2	-	184
	<b>4,349</b>	<b>334</b>	<b>184</b>

### Provisions

It is the Company's policy that an appropriate allowance is made for impaired exposures on a consistent basis



# **Renaissance Institutional Management (UK) Limited**

## **Unaudited Pillar 3 Disclosures 31 December 2011**

Balances are classified as past due when they are older than 90 days

Debts are assessed on an individual customer basis by considering the exposure to the firm and the amount and timing of expected receipts. Should management assess the likelihood of receipt to be uncertain, provisions are made which are considered sufficient to ensure that amounts recorded as assets are covered by anticipated receipts.

There were no provisions held against any of the above credit exposures at the year end.

### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

RIM UK has identified and assessed its operational risks and these predominantly relate to infrastructure, staff, business processes and procedures and regulatory factors.

The regulated environment in which the Company operates imposes extensive reporting requirements and continuing self-assessment and appraisal. The Company seeks continually to improve its operating efficiencies and standards and makes ongoing assessments of key risk areas impacting its business together with their associated controls. Furthermore, the Company is not engaged in the management of assets but rather solely in the referral of investors to investment funds managed by its ultimate parent entity.

RIM UK is not required to provide for operational risk within its Pillar 1 capital. However, the Fixed Overhead Requirement is the equivalent operational risk requirement for a limited licence firm.

The Company finances its operations through share capital and retained earnings. Surplus funds are placed on deposit with a highly rated bank. The liquidity of the Company is reviewed on an ongoing basis by its management to ensure that it can meet its liabilities as they fall due. The Company does not believe that any additional capital is needed to mitigate this risk.

RIM UK is in the short term, reliant on one individual for the regulatory compliance oversight and operational aspects of the business. In the event of his departure, compliance would be assured by outsourcing this aspect of the business, but alternative staffing could be found in the medium term. As such, management believes it is appropriate to include an additional \$100,000 to its Pillar 1 capital requirements to cover the cost of outsourcing and recruitment fees.