

D. E. Shaw & Co. (London), LLP

Report and Financial Statements

31 March 2014

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D. E. Shaw & Co. (London), LLP

Management Committee

Neil Cosgrove
Julius Gaudio
Christopher Zaback

Members

Neil Cosgrove
Julius Gaudio
D. E. Shaw & Co. (U.K.), Ltd.

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Banker

UK Banking Standard Chartered Bank
1 Basinghall Avenue
London
EC2V 5DD

Registered Office

D. E. Shaw & Co. (London), LLP
Seventh Floor
55 Baker Street
London
W1U 8EW

Management Committee's Report

31 March 2014

The Management Committee presents its annual report together with the audited financial statements of D. E. Shaw & Co. (London), LLP (the "LLP") for the year ended 31 March 2014. The LLP is a limited liability partnership and a subsidiary of D. E. Shaw & Co. (U.K.), Ltd. ("DESCOUK"), a limited company. Both the LLP and DESCOUK are registered in the United Kingdom (the "U.K.").

Principal Activity

The LLP was formed on 21 August 2012 and did not undertake any business activities until 8 April 2013. DESCOUK transferred substantially all of its business activities to the LLP, including the majority of its employees, on 8 April 2013. On that same day, the LLP received permission from the U.K. Financial Conduct Authority (the "FCA") under Part 4A of the Financial Services and Markets Act 2000, authorizing the LLP to engage in certain regulated activities in the U.K. Pursuant to that authorization, the LLP provided investment management and other related services (on a sub-advisory basis), predominantly to D. E. Shaw & Co., L.P. ("DESCO L.P."), which is DESCOUK's parent and a United States ("U.S.") -based investment adviser registered with the U.S. Securities and Exchange Commission. The LLP's activities are conducted ultimately for the benefit of certain of DESCO L.P.'s (and certain of its affiliates') affiliated advisory clients and focus on investment and trading opportunities in European markets and certain global markets.

The LLP's Pillar 3 disclosure, as required by the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") (BIPRU 11.3.3R) is available for review at the D. E. Shaw group website, www.deshaw.com.

Review of the Business

The results for the year are shown in the profit and loss account on page 7 and the financial position is set out in the balance sheet on page 8.

The LLP was compensated during the year by DESCO L.P. for its services under a License and Services Agreement and an Investment Advisory Agreement between them. Over the course of the financial year, the average monthly number of employees increased from 27 to 28.

Going Concern

The LLP's business activities are set out in the review of the business above. The financial position of the LLP and its liquidity position are reflected on the balance sheet. The Management Committee believes that the LLP is well placed to manage its business risks successfully. The Management Committee has a reasonable expectation that the LLP has adequate resources and has assessed DESCO L.P.'s operating results to arrive at a determination that the LLP will continue in operational existence for the foreseeable future. Thus the Management Committee continues to adopt the going concern basis of accounting in preparing the audited financial statements.

Future Developments

There are no plans which will significantly change the activities and risks of the LLP.

Management Committee's Report (Continued)

31 March 2014

Principal Risks and Uncertainties

As a subsidiary of DESCOUK, which in turn is a wholly owned subsidiary of DESCO L.P., the LLP's principal risks and uncertainties are primarily related to the continued success of DESCO L.P., which is the LLP's primary client and source of revenue.

Management Committee

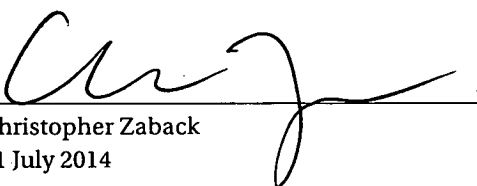
The following people served during the period and at the end of this report were:

Neil Cosgrove
Julius Gaudio
Christopher Zaback

Auditors

So far as the Management Committee is aware, there is no relevant audit information of which the firm's auditors are unaware. The Management Committee has taken all steps they believe ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

On Behalf of the Management Committee



Christopher Zaback
21 July 2014

Statement of Management Committee's Responsibilities

31 March 2014

The Management Committee is responsible for preparing the Management Committee's Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 requires the preparation of the financial statements each year. Under that regulation the Management Committee has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the regulation the Management Committee must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the Management Committee is required to:

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

The Management Committee is responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. The Management Committee is also responsible for safeguarding the assets of the LLP and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

To the Members of D. E. Shaw & Co. (London), LLP:

We have audited the financial statements of D. E. Shaw & Co. (London), LLP (the "LLP") for the year ended 31 March 2014 which comprise the Profit and Loss Account, Statement of Total Recognized Gains and Losses, Balance Sheet, Cash Flows Statement, and the related notes 1 to 12. 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 Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the 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 Management Committee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and Auditor

As explained more fully in the Management Committee's Responsibilities Statement set out on page 4, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. 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

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 LLP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report (Continued)

Opinion on financial statements

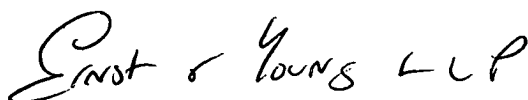
In our opinion the financial statements:

- ▶ give a true and fair view of the state of the LLP's affairs as at 31 March 2014 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 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the LLP's financial statements are not in agreement with the accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.



Jeremy Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28th July 2014

Profit and Loss Account

		Year Ended 31 March 2014 £
	Notes	
Turnover	2	23,978,332
Administrative expenses before expense reimbursements by affiliated entities		19,387,158
Expense reimbursements by affiliated entities		<u>(1,287,237)</u>
Net administrative expenses		<u>18,099,921</u>
Operating profit	3	5,878,411
Foreign exchange loss		<u>(7,489)</u>
Profit for the year available for discretionary division among members		<u><u>5,870,922</u></u>

All amounts are in respect of continuing activities.

The LLP was dormant for the period from formation to 31 March 2013 and there were no transactions.

Statement of Total Recognised Gains and Losses

There were no recognised gains or losses other than the profit for the year.

The accompanying notes are an integral part of this balance sheet.

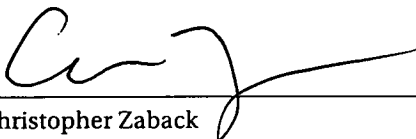
D. E. Shaw & Co. (London.), LLP

Balance Sheet

	Notes	31 March 2014 £
Non-current assets		
Tangible fixed assets	6	57,095
Current assets		
Debtors	7	2,420,807
Cash at bank	10	<u>10,543,557</u>
		12,964,364
Current liabilities		
Creditors	8	<u>1,549,746</u>
Net current assets		<u>11,414,618</u>
Total assets attributable among members		<u><u>11,471,713</u></u>
Represented by:		
Equity		
Members' capital		9,189,316
Other reserves		<u>2,282,397</u>
Total equity	9	<u><u>11,471,713</u></u>
		31 March 2014 £
Memorandum of members' total interest		
Loans and other debts due to members		92,152
Members' other interests		<u>11,471,713</u>
Members' total interests	9	<u><u>11,563,865</u></u>

The LLP was dormant for the period from formation to 31 March 2013 and there were no transactions.

Signed on behalf of the Management Committee:



Christopher Zaback
21 July 2014

The accompanying notes are an integral part of this balance sheet.

Cash Flows Statement

	Notes	Year Ended 31 March 2014 £
Net cash inflow from operating activities	10a	5,519,051
Capital expenditure	10b	(5,632)
Financing	10b	<u>5,037,627</u>
Increase in net cash	10c	<u>10,551,046</u>

Supplemental Disclosure of Non-Cash Activities

During the year, the LLP received capital contributions from DESCOUK in the form of contributions-in-kind of tangible fixed assets and debtors amounting to £93,612 and £561,704, respectively.

The accompanying notes are an integral part of this cash flows statement.

Notes to Audited Financial Statements

Year Ended 31 March 2014

1. Accounting Policies

a. Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended *Practice Accounting by Limited Liability Partnerships* issued in March 2010.

b. Members' Profit and Loss Allocations

Discretionary and non-discretionary profit allocations are made when determinable and declared.

c. Tangible Fixed Assets

All fixed assets are recorded at cost.

In general, depreciation of fixed assets is calculated to write off their cost over their estimated useful lives as follows:

Computer equipment	3 years straight line
Furniture, fittings, and office equipment	5 years straight line

d. Foreign Currency Translation

Transactions denominated in currencies other than sterling are recorded at a sterling amount computed using a rate of exchange, reasonably determined by the LLP, as of the applicable date. Monetary assets and liabilities denominated in currencies other than sterling at year-end are translated into sterling at a rate of exchange, reasonably determined by the LLP, as of year-end. Any gains or losses arising from a change in exchange rates are included in the profit and loss account.

e. Deferred Compensation

The LLP accounts for deferred compensation awards over the period in which they vest with employees as discussed in Note 4.

f. Tax

No provision has been made for taxation in the financial statements. Each Member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual member and not on the LLP.

g. Members' Capital

Members' capital is classified as either debt or equity in accordance with the substance of the contractual arrangements for the provision of capital in accordance with the

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

1. Accounting Policies (Continued)

g. Members' Capital (Continued)

LLP's limited liability partnership deed. Capital contributions which oblige the LLP to repay amounts to the members are separately classified as debt within the financial statements.

h. Expenses

Expenses incurred have been recognized on an accrual basis.

2. Turnover

The LLP's turnover represents income generated pursuant to the License and Services Agreement (which incorporates an investment advisory agreement) with DESCO L.P. In consideration for the services provided by the LLP to DESCO L.P. under that agreement, DESCO L.P. compensates the LLP through the payment of the greater of either (i) cost-plus reimbursements of costs and expenses incurred by the LLP in connection with the provision of services to DESCO L.P. and certain of its affiliates (subject to a loss carry forward provision), or (ii) a profit sharing arrangement comprised of (a) a monthly management fee based on the net assets managed by the LLP in certain investment strategies deployed by DESCO L.P. on behalf of its affiliated investment advisory clients, (b) an annual performance fee (subject to a loss carry forward provision) based on the returns generated by the assets managed by the LLP in the investment strategies to which the management fee described in (a) applies, and (c) cost-plus reimbursements of costs and expenses incurred by the LLP in connection with the provision of various services that are not subject to the management and performance fees described in (a) and (b), including trade execution services relating to certain investment strategies deployed by DESCO L.P. on behalf of its affiliated investment advisory clients. Turnover is recognized when the LLP obtains the right for consideration in exchange for its performance.

3. Operating Profit

The operating profit is stated after charging:

	Year Ended 31 March 2014
	£
Depreciation of tangible fixed assets (<i>Note 6</i>)	42,149
Auditor's remuneration audit services	40,000
Taxation services and other professional fees	787,103

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

4. Staff Costs

	Year Ended 31 March 2014 £
Wages and salaries	7,189,089
National insurance contributions	971,673
Other costs	<u>158,701</u>
Total	<u>8,319,463</u>

The average monthly number of employees during the year was as follows:

	Year Ended 31 March 2014 Nos.
Traders and analysts	11
Administration	<u>17</u>
Total	<u>28</u>

The LLP has a deferred compensation plan under which certain employees earn deferred compensation. The awards under the deferred compensation plan are for services rendered during the compensation period, but typically vest over the following three year period. Employees generally forfeit their entitlement if they do not remain employed by the LLP. The LLP records an expense and a corresponding liability for deferred compensation over the vesting period. Approximately £2.0 million is due to be paid over the next three years in this regard. Included in this amount is approximately £0.7 million due to be paid by 31 March 2015.

The entire balance of the deferred compensation is deposited by DESCO L.P. on behalf of the LLP with affiliated fund entities for which DESCO L.P. acts as investment adviser. This amount earns the pro rata share of the return associated with the underlying funds prior to the deduction of management and performance fees but after the deduction of related expenses.

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

5. Members' Profit Allocation

	Year Ended 31 March 2014 £
Profit for the year before Members' remuneration and available for discretionary division among Members	<u>5,870,922</u>
Profit in respect of the Member who received the largest share of profits	<u>2,282,398</u>

The average number of Members during the year was three.

6. Tangible Fixed Assets

	Computer Equipment £	Furniture, Fittings, and Office Equipment £	Total £
Cost:			
1 April 2013	-	-	-
Additions			
- From LLP conversion (8 April 2013)	329,767	147,768	477,535
- Subsequent to conversion	-	5,632	5,632
31 March 2014	<u>329,767</u>	<u>153,400</u>	<u>483,167</u>
Depreciation:			
1 April 2013	-	-	-
Additions			
- From LLP conversion (8 April 2013)	(296,752)	(87,171)	(383,923)
- Subsequent to conversion	(21,718)	(20,431)	(42,149)
31 March 2014	<u>(318,470)</u>	<u>(107,602)</u>	<u>(426,072)</u>
Net book value:			
31 March 2014	<u>11,297</u>	<u>45,798</u>	<u>57,095</u>

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

7. Debtors

	31 March 2014
	£
Due from related undertakings	2,048,767
VAT recoverable	169,257
Prepayments	167,241
Other debtors	35,542
	<u>2,420,807</u>

8. Creditors

	31 March 2014
	£
Due to related undertakings	1,071,244
Accruals	264,154
Other taxes and national insurance contributions	99,212
Due to members	92,152
Other creditors	22,984
	<u>1,549,746</u>

9. Reconciliation of Movements in Members' Capital

	Members' capital £	Other reserves £	Total £	Loans and other debts due to members £	Members' total interest £
At 1 April 2013	-	-	-	-	-
Capital contributions	9,189,316	-	9,189,316	-	9,189,316
Profit for the year	-	5,870,922	5,870,922	-	5,870,922
Profit allocations	-	(3,588,525)	(3,588,525)	3,588,525	-
Distributions	-	-	-	(3,496,373)	(3,496,373)
At 31 March 2014	<u>9,189,316</u>	<u>2,282,397</u>	<u>11,471,713</u>	<u>92,152</u>	<u>11,563,865</u>

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

10. Notes to the Cash Flows Statement

a. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Year Ended 31 March 2014 £
Operating profit	5,878,411
Depreciation	42,149
Increase in debtors	(1,859,103)
Increase in creditors	1,457,594
Net cash inflow from operating activities	5,519,051

b. Analysis of Cash Flows for Headings Netted in the Cash Flows Statement

	Year Ended 31 March 2014 £
Capital Expenditure	
Payments to acquire tangible fixed assets	(5,632)
Net cash outflow from capital expenditures	(5,632)
Financing	
Initial capital contributions	8,534,000
Distributions	(3,496,373)
Net cash inflow from financing activities	5,037,627

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

10. Notes to the Cash Flows Statement (Continued)**c. Reconciliation of Net Cash Flow to Movement in Net Cash**

	Year Ended 31 March 2014 £
Increase in net cash	10,551,046
Foreign exchange loss	(7,489)
Movement in net cash during the year	10,543,557
Net cash at beginning of year	-
Net cash at end of year	10,543,557

d. Analysis of Net Cash

	At 1 April 2013 £	Cash Flow £	At 31 March 2014 £
Cash at bank	-	10,543,557	10,543,557

11. Related Party Transactions

The LLP provides certain services to DESCO L.P. (and certain of its affiliates) that are ultimately for the benefit of DESCO L.P.'s (and certain of its affiliates) affiliated advisory client. As described in note 2, with respect to items (ii)(a) and (ii)(b), the LLP charged DESCO L.P. £8,949,900 and £5,185,007 for the year ended 31 March 2014. In connection with item (ii)(c), the LLP charged DESCO L.P. £9,843,425 for such costs and expenses for the year ended 31 March 2014. Additionally, if applicable, the LLP and DESCO L.P. have a "cost-plus floor" arrangement such that DESCO L.P. is obligated to compensate the LLP a minimum amount (subject to a loss carry forward) that is equal to certain of the LLP's costs and expenses incurred in providing services to DESCO L.P., plus a markup.

The LLP may receive compensation from DESCO L.P. in amounts in excess of this "cost-plus floor" in accordance with the arrangements described above. Amounts in excess of the "cost-plus floor" may be clawed back against "cost-plus floor" revenue recognised in prior periods.

The LLP has a receivable from DESCO L.P. of £1,612,680 at 31 March 2014. These balances relate primarily to activities referred to in the preceding paragraph and are reflected in debtors on the balance sheet.

Notes to Audited Financial Statements (Continued)

Year Ended 31 March 2014

11. Related Party Transactions (Continued)

Transactions with other DESCO L.P. affiliates resulted in a net payable from the LLP of £635,157 at 31 March 2014 and primarily represents allocated expenses charged to the LLP.

12. Ultimate Parent and Controlling Company

The LLP is a subsidiary of DESCOUK, which is a wholly owned subsidiary of DESCO L.P. DESCOUK is consolidated into the financial statements of DESCO L.P., a Delaware limited partnership headquartered at 1166 Avenue of the Americas, 9th Floor, New York, NY, 10036.