**Pinewood Film Advisors Limited**

**(Trading as Pinewood Pictures)**

# Pillar III Disclosure

Period ended 31 January 2014

# Contents

# Overview of Pillar III

# Overview of Pillar III

Since authorisation as a regulated entity by the UK by the Financial Conduct Authority ("FCA") in August 2013, Pinewood Film Advisors Limited (the "Firm" or "PFA"), trading as Pinewood Pictures, has applied the capital adequacy framework set out in the Capital Requirements Directive ("CRD") as part of its capital management strategy.

The CRD is based on three Pillars:

- Pillar 1 covers the calculation of risk weighted capital requirements for credit risk, market risk and operational risk;
- Pillar 2 allows firms and supervisors to take a view on whether the Firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks faced by the Firm; and
- Pillar 3 covers external communication of the risk and capital information by firms.

# Overview of Pillar III

- The Firm is regulated by the FCA and, for the purposes of prudential requirements, is categorised as a BIPRU firm.

- Pillar 3 requirements applying to BIPRU firms are set out in the FCA Handbook within the "Prudential Sourcebook for Banks, Building Societies and Investment Firms" at BIPRU 11.

- The Firm makes its Pillar 3 disclosures on an annual basis. However, the Board continually monitors this frequency to ensure that it remains appropriate and will consider more frequent publication if deemed necessary.

# Presentation of risk data, verification and sign-off

The information within the scope of Pillar 3 will be published on an annual basis. Disclosure will be based on the position as at the Accounting Reference Date and be available as soon as practicable after the signed financial statements are available.

**The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm. The information is signed off internally by the Board.**

The Firm is permitted to omit information deemed immaterial. Materiality is based on the criterion that omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Accordingly, where the Firm consider an item to be immaterial, it has not been disclosed.

# Basis of Consolidation

These disclosures are prepared on a solo basis.

# Capital Management Process

# Capital Management Process

Capital adequacy is the degree to which capital resources on the Firm's balance sheet are sufficient to cover the capital requirements for the business both now and for the foreseeable future.

The Firm's authority to operate as an investment firm is dependent upon the maintenance of adequate capital resources.

The Firm's capital management process ensures that capital resources and requirements are continually reviewed against financial projections and risk assessments to enable the Firm to:

- meet minimum regulatory requirements in the UK; and
- support its growth plans and strategic objectives.

# Capital Management Process

In order to internally manage its capital the Firm regularly reviews its Internal Capital Adequacy Assessment Process with the last full review completed at the financial year end of 31 January 2014.

The Firm maintains its capital in highly liquid and readily accessible bank accounts only.

# Capital Adequacy

# Capital Adequacy

Capital Resources as at 31 January 2014 :

| | |
|---|---|
| **Tier One Capital** | 250,050 |
| **Total Capital** | 250,050 |
| **Capital Requirement** | 228,898 |
| **Surplus** | 21,152 |

Pillar 1 capital requirements are the greater of:-

- Base capital requirement of 50,000 euros; or
- Credit risk capital £76,016; or
- Fixed overhead requirement £228,898
-

The capital adequacy of the Firm is monitored on a rolling monthly basis, with a formal review performed annually.

# Credit Risk Capital Requirement

The credit risk capital requirement is a sum of the following components:-

- Credit risk capital component; and
- Counterparty risk capital component; and
- Concentration risk capital component

The Firm calculates the credit risk capital component based on the simplified approach to credit risk, using 8% of the risk weighted exposure amounts for each credit risk exposure class.

The Firm is not subject to a counterparty risk capital component or concentration risk capital component.

# Fixed Overhead Requirement

The fixed overhead requirement is equal to one quarter of relevant fixed expenditure less certain specified items.

# Risk measurement and management

# Risk measurement and management

The Board of Directors are responsible for determining the level of business risk acceptable to the Firm and ensure systems and controls are subject to annual review.

The Firm has implemented a clear and defined risk policy that incorporates the following risks:

| Type of risk | Determined risk of likelihood? |
|---|---|
| Credit risk | Low - due to the nature of the counterparties |
| Liquidity risk | Low - due to activity confined to contracted transactions |
| Operational risk | Low - due to minimal cost base for activity |
| Concentration risk | Low |
| Business risk | Low |
| Interest rate risk | Low |
| Market risk | Low |
| Residual risk | Low - due to the limited trading activity |
| Other risk<br>(not specified above e.g. reputational risk) | Low - due to the limited trading activity |

# Risk measurement and management

The following risk categories are not applicable to PFA given the nature of it's operations;

- Securitisation risk;
- Insurance risk; and
- Pension obligation risk

An internal control framework is in place and all risks have been assessed by the Board of Directors in terms of their likelihood and mitigating factors that may reduce their impact.

# Remuneration disclosures

# Remuneration Disclosures

The Firm has adopted a remuneration policy that complies with the requirements of chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), as interpreted in accordance with the FCA guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19C) & Pillar 3 Disclosures on Remuneration (BIPRU 11)" and subsequent items of guidance issued by the FCA including its document entitled "Frequently Asked Questions on the Remuneration Code."

As a BIPRU limited license firm, PFA falls within proportionality level 3. The Firm concluded, on the basis of size and the nature scale and complexity of its legal structure and business, that it does not need to appoint a remuneration committee. Instead, the Board of Directors of the Firm sets and oversees compliance with the Firm's remuneration policy, including reviewing the terms of the policy on at least an annual basis.

# Remuneration Disclosures

Remuneration Code Staff comprise of staff including senior management, risk takers, staff engaged in control functions and employee's receiving total remuneration that takes them into the same bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile.

PFA has one "business area", which is its investment advisory business. All the Firm's Code Staff fall into the senior management category of Code Staff (rather than the "risk taker" category) for the purposes of the Remuneration Code. The aggregate "remuneration" (as defined in the FCA Rules) awarded to the Firm's Code Staff during the financial period ending on 31 January 2014 was £0.3m.