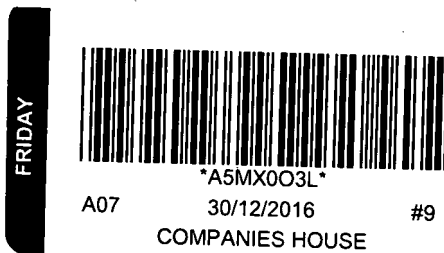


# Capula Investment Services Limited

## Consolidated Report and Financial Statements

For the Year Ended 31 March 2016



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**Capula Investment Services Limited**

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**Capula Investment Services Limited**

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**Company Information**

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<b>Directors</b>	H Bruder M Barnett
<b>Company secretary</b>	Throgmorton Secretaries LLP
<b>Registered number</b>	05460265
<b>Registered office</b>	4th Floor Reading Bridge House George Street Reading RG1 8LS
<b>Independent auditor</b>	Ernst & Young LLP 25 Churchill Place London E14 5EY
<b>Bankers</b>	Barclays Bank PLC First Floor 99 Hatton Garden London BX3 2BB

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## Capula Investment Services Limited

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### Group Strategic Report For the Year Ended 31 March 2016

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The directors present their strategic report of Capula Investment Services Ltd (the "Company") and Capula Investment Japan Limited (collectively "the Group") for the year ended 31 March 2016.

#### Principal activity

The principal activity of the Group is to provide investment, advisory and support services. The Company is a corporate member of Capula Investment Management LLP ("the LLP"). Its principal activity is to provide staff and infrastructure to the LLP.

The directors do not expect any change in the nature of the business activity in the foreseeable future.

#### Business review

The results for the year and the financial position at the year end were considered satisfactory by the directors. The Group has seen good progress in business development in the year and the directors are confident that this will continue in the year ending 31 March 2017.

#### Principal risks and uncertainties

The principal risks and uncertainties affecting the Group relate to the performance of the funds managed by the LLP and the impact poor performance has on the ability to attract and retain investors.

The Group operates systems and controls to mitigate any adverse effects across the range of risks that it faces. The Group has no significant exposure to price, credit, liquidity or cash flow risk.

#### Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using Key performance indicators ("KPIs") is not necessary for an understanding of the development, performance or position of the business. Growth and performance of assets under management of the LLP are the most important KPIs of the Group.

The Company's current liability position is £3,226,691 (2015: £3,452,844) at year end as detailed on page 10. The Company's liquidity is managed sufficiently based on funding provided by the LLP. The Company's net asset position is £5,233,471 (2015: £5,460,521) at year end as detailed on page 10.

The Company was loss making for the year ended 31 March 2016 and 31 March 2015. The Company has adequate financial resources and an ongoing relationship with the LLP to recover expenses and receive discretionary profit allocations.

This report was approved by the board on 15 September 2016 and signed on its behalf by.

H Bruder  
Director



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**Capula Investment Services Limited**

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**Directors' Report  
For the Year Ended 31 March 2016**

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The directors present their report and the financial statements for the year ended 31 March 2016.

**Results and dividends**

The loss for the year after taxation, attributable to the Company, amounted to £125,734 (2015: £183,430).

No dividends were paid during the year (2015: £nil).

**Going concern**

The Group has suffered a loss after tax for the current and prior year and is in a net current liability position for both the current and prior year. The Company does however have adequate financial resources through its ongoing relationship with the LLP to recover expenses and receive discretionary profit allocations. As a consequence, the directors believe that the Group and Company are well placed to manage their business risks successfully.

Based on the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the Directors' Report, strategic report and financial statements.

**Directors**

The directors who served during the year were:

H Bruder  
M Barnett

**Future developments**

The directors intend to continue to assess the opportunities to develop and expand the Company's activities provided these opportunities are consistent with the Company's business strategy and direction.

**Post balance sheet events**

There have been no significant events affecting the Group since the year end.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

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**Capula Investment Services Limited**

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**Directors' Report  
For the Year Ended 31 March 2016**

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**Auditors**

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on  September 2016 and signed on its behalf by



**H Bruder**  
Director

**Statement of Directors' Responsibilities  
For the Year Ended 31 March 2016**

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The directors are responsible for preparing the Group Strategic Report, the Directors' 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 applicable law and UK GAAP including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**Capula Investment Services Limited**

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**Independent Auditor's Report to the Shareholders of Capula Investment Services Limited**

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We have audited the consolidated financial statements of Capula Investment Services Limited for the year ended 31 March 2016, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows, and the related notes 1 to 20. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 Financial Reporting Council'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 Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



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Capula Investment Services Limited

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**Independent Auditor's Report to the Shareholders of Capula Investment Services Limited**

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**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' Report has been prepared in accordance with applicable legal requirements.

**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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



James Beszant (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP (Statutory Auditor)

London

Date: 21 SEPTEMBER 2016

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**Capula Investment Services Limited**

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**Consolidated Statement of Comprehensive Income  
For the Year Ended 31 March 2016**

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	Note	2016 £	2015 £
Turnover	4	38,373,104	40,442,866
Administrative expenses		(38,132,461)	(40,345,607)
Loss on disposal of tangible assets		(44,246)	-
<b>Operating profit</b>	5	<u>196,397</u>	<u>97,259</u>
Interest receivable and similar income	8	2,063	79,945
<b>Profit before taxation</b>		<u>198,460</u>	<u>177,204</u>
Tax on profit	9	(324,194)	(360,634)
<b>Loss for the year</b>		<u>(125,734)</u>	<u>(183,430)</u>
<b>Other comprehensive income</b>			
Currency translation differences		128,460	(37,744)
<b>Other comprehensive income for the year</b>		<u>128,460</u>	<u>(37,744)</u>
<b>Total comprehensive income / (loss) for the year</b>		<u><u>2,726</u></u>	<u><u>(221,174)</u></u>
<b>Loss for the year is attributable to:</b>			
Owners of the Company		<u><u>(125,734)</u></u>	<u><u>(183,430)</u></u>
<b>Total comprehensive income / (loss) for the year is attributable to:</b>			
Owners of the Company		<u><u>2,726</u></u>	<u><u>(221,174)</u></u>
		<u><u>2,726</u></u>	<u><u>(221,174)</u></u>

All amounts derived from continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated profit and loss account.

The notes on pages 14 to 24 form part of these financial statements.

**Capula Investment Services Limited**  
**Registered number: 05460265**

**Consolidated Statement of Financial Position**  
**As at 31 March 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	3,800,520	4,071,409
Investments	12	4,597,440	4,597,440
		<u>8,397,960</u>	<u>8,668,849</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	4,001,197	3,810,493
Cash and cash equivalents	14	917,539	528,039
		<u>4,918,736</u>	<u>4,338,532</u>
Creditors: amounts falling due within one year	15	(7,012,500)	(6,705,911)
<b>Net current liabilities</b>		<u>(2,093,764)</u>	<u>(2,367,379)</u>
<b>Net assets</b>		<u><u>6,304,196</u></u>	<u><u>6,301,470</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	600,001	600,001
Share premium account		724,999	724,999
Profit and loss account		4,979,196	4,976,470
<b>Equity attributable to owners of the Company</b>		<u><u>6,304,196</u></u>	<u><u>6,301,470</u></u>

The financial statements were approved and authorised for issue by the board on 15 September 2016 and were signed on its behalf by

  
**H. Bruder**  
 Director

The notes on pages 14 to 24 form part of these financial statements.

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**Capula Investment Services Limited**  
**Registered number: 05460265**

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**Company Statement of Financial Position**  
**As at 31 March 2016**

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	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	3,549,603	4,002,806
Investments	12	4,910,559	4,910,559
		<u>8,460,162</u>	<u>8,913,365</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	3,683,640	3,598,296
Cash and cash equivalents	14	677,331	357,353
		<u>4,360,971</u>	<u>3,955,649</u>
Creditors: amounts falling due within one year	15	(7,587,662)	(7,408,493)
<b>Net current liabilities</b>		<u>(3,226,691)</u>	<u>(3,452,844)</u>
<b>Net assets</b>		<u>5,233,471</u>	<u>5,460,521</u>
<b>Capital and reserves</b>			
Called up share capital	16	600,001	600,001
Share premium account		724,999	724,999
Profit and loss account		3,908,471	4,135,521
<b>Total equity</b>		<u>5,233,471</u>	<u>5,460,521</u>

The financial statements were approved and authorised for issue by the board on 15 September 2016 and were signed on its behalf by



H Bruder  
Director

The notes on pages 14 to 24 form part of these financial statements.

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**Capula Investment Services Limited**

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**Consolidated Statement of Changes in Equity  
For the Year Ended 31 March 2016**

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	Called up Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2015	600,001	724,999	4,976,470	6,301,470
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(125,734)	(125,734)
Other comprehensive income for the year	-	-	128,460	128,460
<b>Total comprehensive income for the year</b>	-	-	2,726	2,726
<b>At 31 March 2016</b>	<u>600,001</u>	<u>724,999</u>	<u>4,979,196</u>	<u>6,304,196</u>

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 March 2015**

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	Called up Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2014	600,001	724,999	5,197,644	6,522,644
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(183,430)	(183,430)
Other comprehensive income for the year	-	-	(37,744)	(37,744)
<b>Total comprehensive income for the year</b>	-	-	(221,174)	(221,174)
<b>At 31 March 2015</b>	<u>600,001</u>	<u>724,999</u>	<u>4,976,470</u>	<u>6,301,470</u>

The notes on pages 14 to 24 form part of these financial statements.

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**Capula Investment Services Limited**

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**Company Statement of Changes in Equity  
For the Year Ended 31 March 2016**

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	Called up Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2015	600,001	724,999	4,135,521	5,460,521
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(227,050)	(227,050)
<b>Total comprehensive income for the year</b>	-	-	(227,050)	(227,050)
<b>At 31 March 2016</b>	<u>600,001</u>	<u>724,999</u>	<u>3,908,471</u>	<u>5,233,471</u>

**Company Statement of Changes in Equity  
For the Year Ended 31 March 2015**

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	Called up Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2014	600,001	724,999	4,404,220	5,729,220
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(268,699)	(268,699)
<b>Total comprehensive income for the year</b>	-	-	(268,699)	(268,699)
<b>At 31 March 2015</b>	<u>600,001</u>	<u>724,999</u>	<u>4,135,521</u>	<u>5,460,521</u>

The notes on pages 14 to 24 form part of these financial statements.

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**Capula Investment Services Limited**

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**Consolidated Statement of Cash Flows  
For the Year Ended 31 March 2016**

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	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(125,734)	(183,430)
<b>Adjustments for:</b>		
Depreciation of tangible assets	562,017	788,457
Loss on disposal of tangible assets	44,246	(750)
Interest received	(2,063)	(79,945)
Taxation	324,194	360,634
(Increase) / decrease in debtors	(190,704)	3,213,179
Increase / (decrease) in creditors	379,564	(3,233,343)
Corporation tax paid	(397,169)	(400,449)
<b>Net cash generated from operating activities</b>	<u>594,351</u>	<u>464,353</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(332,230)	(481,573)
Sale of tangible fixed assets	5,480	750
Interest received	2,063	79,945
<b>Net cash used in investing activities</b>	<u>(324,687)</u>	<u>(400,878)</u>
<b>Net increase in cash and cash equivalents</b>	<u>269,664</u>	<u>63,475</u>
Cash and cash equivalents at beginning of year	528,039	499,988
Effect of exchange rate on cash and cash equivalents	119,836	(35,424)
<b>Cash and cash equivalents at the end of year</b>	<u><u>917,539</u></u>	<u><u>528,039</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u><u>917,539</u></u>	<u><u>528,039</u></u>

The notes on pages 14 to 24 form part of these financial statements.

**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**1. General information**

The Company is a limited liability company incorporated and domiciled in England and Wales. The registered office is 4th Floor, Reading Bridge House, George Street, Reading RG1 8LS. The principal place of business is 8 Lancelot Place, London, SW7 1DR.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in compliance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

In accordance with the transition provisions of FRS 102, all comparable information presented in these financial statements has also been prepared in accordance with FRS 102. FRS 102 requires the Company to explain how the transition from previous UK GAAP to FRS 102 has impacted the financial position and financial performance reported in previous financial statements. The transition to FRS 102 has not resulted in material changes to the financial results or position previously reported to 31 March 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Basis of consolidation**

The consolidated financial statements present the results of the Company and the Group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2.3 Going concern**

The Company has adequate financial resources through its ongoing relationship with the LLP to recover expenses and receive discretionary profit allocations. As a consequence, the directors believe that the Group and Company are well placed to manage their business risks successfully.

Based on the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Therefore these financial statements have been prepared on the going concern basis.



**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**2. Accounting policies (continued)**

**2.4 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from fund management services is recognised in the period that the management services are performed and are based on an agreed percentage of the total funds under management of underlying funds.

**2.6 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.7 Operating leases**

Operating leases are those leases where the Group has use of an asset but where significantly all the risks and rewards of ownership remain with the lessor and the lease term is not expected to be a significant portion of the useful life of the asset.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**2.8 Pensions**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payments obligations.

The contributions are charged in the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

**2.9 Tangible assets**

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Improvements	- 5 years
Aircraft	- 15 years
Furniture and Fixtures	- 4 to 6 years
Office Equipment	- 3 years (subsidiary - 15 years)
Computer Equipment and Software	- 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

**2.10 Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**2.11 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.12 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.14 Creditors**

Short term creditors are measured at the transaction price which equates to their amortised cost.

**2.15 Taxation and deferred taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences that are regarded as permanent. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Any deferred tax assets and liabilities recognised are provided at the average rate of tax expected to apply when the asset and liability crystallises and are not discounted.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In applying the Group's accounting policies, the directors may be required to make judgments and estimates that could impact the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year.

The directors consider the following to be significant accounting judgments made during the year:

- Valuation of investments

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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty  
(continued)**

The directors' estimates are based on the evidence available at the time; including historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such estimates, the actual results and outcomes may differ. Estimates are reviewed on an on-going basis and revisions to accounting estimates are recognised in the year in which the estimate is revised.

The directors are not aware of any significant sources of estimation uncertainty in the preparation of the financial statements.

**4. Turnover**

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Administrative costs recharged	34,017,778	36,463,724
Advisory fees	4,355,326	3,979,142
	<u>38,373,104</u>	<u>40,442,866</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
Europe	34,230,692	36,463,724
Rest of the world	4,142,412	3,979,142
	<u>38,373,104</u>	<u>40,442,866</u>

**5. Operating profit**

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets - owned	562,017	788,457
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	11,800	10,250
Auditors remuneration - non audit services	209,708	308,183
Exchange differences	(12,473)	175,121
Other operating lease rentals	<u>974,892</u>	<u>956,604</u>

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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	24,300,478	26,521,308
Social security costs	3,476,941	3,566,410
Cost of defined contribution scheme	735,418	861,722
	<u>28,512,837</u>	<u>30,949,440</u>

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

	2016 No.	2015 No.
Portfolio support	32	39
Research	5	6
Administration	53	57
	<u>90</u>	<u>102</u>

**7. Directors' remuneration**

	2016 £	2015 £
Directors' emoluments	<u>34,328</u>	<u>15,000</u>

The highest paid director received remuneration of £10,000 (2015: £10,000).

Directors' remuneration relates only to services provided to the Company

**8. Interest receivable**

	2016 £	2015 £
Bank interest receivable	<u>2,063</u>	<u>79,945</u>

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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016****9. Taxation**

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	213,310	261,464
Adjustments in respect of previous periods	13,740	7,235
	<u>227,050</u>	<u>268,699</u>
<b>Foreign tax</b>		
Current taxation	97,144	91,935
	<u>97,144</u>	<u>91,935</u>
<b>Total current tax</b>	<u>324,194</u>	<u>360,634</u>
<b>Taxation on profit on ordinary activities</b>	<u>324,194</u>	<u>360,634</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>198,460</u>	<u>177,204</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	39,692	37,213
<b>Effects of:</b>		
Expenses not deductible for tax purposes	108,533	99,381
Origination and reversal of timing items	104,777	162,083
Adjustment in respect of profit in Japanese Subsidiary	(39,692)	(37,213)
Adjustment regarding profits subject to Japanese tax	97,144	91,935
Prior year adjustment	13,740	7,235
<b>Total tax charge for the year</b>	<u>324,194</u>	<u>360,634</u>

**Factors that may affect future tax charges**

The Government previously announced its intention to reduce the main corporation tax rate to 20% from 1 April 2015, then 19% from 1 April 2017 and then to 18% from 1 April 2020. The announced rate reductions to 18% by 1 April 2020 have been substantively enacted by the balance sheet date and have been reflected above where appropriate.

**10. Company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Company for the year was £131,461 (2015: loss £268,699).

**Capula Investment Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

**11. Tangible fixed assets**

**Group**

	Leasehold Improvements £	Aircraft £	Furniture & Fixtures £	Office Equipment £	Computer Equipment and Software £	Total £
<b>Cost</b>						
At 1 April 2015	1,417,931	3,861,019	672,553	459,654	3,179,995	9,591,152
Additions	26,168	-	78,422	194,161	33,479	332,230
Disposals	-	-	(4,388)	(45,338)	-	(49,726)
Foreign exchange	-	-	3,717	10,755	2,267	16,739
At 31 March 2016	1,444,099	3,861,019	750,304	619,232	3,215,741	9,890,395
<b>Depreciation</b>						
At 1 April 2015	1,197,392	471,902	623,899	410,448	2,816,102	5,519,743
Charge for the year	80,876	257,401	38,967	23,048	161,725	562,017
Disposals	-	-	(1,569)	(4,027)	-	(5,596)
Foreign exchange	-	-	3,743	7,699	2,269	13,711
At 31 March 2016	1,278,268	729,303	666,609	435,599	2,980,096	6,089,875
<b>Net book value</b>						
At 31 March 2016	<u>165,831</u>	<u>3,131,716</u>	<u>83,695</u>	<u>183,633</u>	<u>235,645</u>	<u>3,800,520</u>
At 31 March 2015	<u>220,539</u>	<u>3,389,117</u>	<u>48,654</u>	<u>49,206</u>	<u>363,893</u>	<u>4,071,409</u>

**Company**

	Leasehold Improvements £	Aircraft £	Furniture & Fixtures £	Office Equipment £	Computer Equipment and Software £	Total £
<b>Cost</b>						
At 1 April 2015	1,417,931	3,861,019	501,801	352,569	3,157,425	9,290,745
Additions	26,168	-	-	11,035	33,479	70,682
At 31 March 2016	1,444,099	3,861,019	501,801	363,604	3,190,904	9,361,427
<b>Depreciation</b>						
At 1 April 2015	1,197,392	471,902	476,800	348,223	2,793,622	5,287,939
Charge for the year	80,876	257,401	19,575	4,396	161,637	523,885
At 31 March 2016	1,278,268	729,303	496,375	352,619	2,955,259	5,811,824
<b>Net book value</b>						
At 31 March 2016	<u>165,831</u>	<u>3,131,716</u>	<u>5,426</u>	<u>10,985</u>	<u>235,645</u>	<u>3,549,603</u>
At 31 March 2015	<u>220,539</u>	<u>3,389,117</u>	<u>25,001</u>	<u>4,346</u>	<u>363,803</u>	<u>4,002,806</u>

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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**12. Investments**

**Group**

	Other Investments £
<b>Cost</b>	
At 1 April 2015	4,597,440
At 31 March 2016	<u>4,597,440</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Capula Investment Japan Limited	Japan	Capital	100 %	Provision of investment management services

**Company**

	Investment in Subsidiary £	Investment in the LLP £	Total £
<b>Cost</b>			
At 1 April 2015	313,119	4,597,440	4,910,559
At 31 March 2016	<u>313,119</u>	<u>4,597,440</u>	<u>4,910,559</u>
<b>Net book value</b>			
At 31 March 2016	<u>313,119</u>	<u>4,597,440</u>	<u>4,910,559</u>
At 31 March 2015	<u>313,119</u>	<u>4,597,440</u>	<u>4,910,559</u>

The investment in the LLP represents a 97% (2015: 97%) capital interest. This capital interest does not give proportionate voting rights. The Company does not have control of the LLP.

**13. Debtors**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts due from the LLP	-	878,061	-	878,061
Other debtors	818,038	708,681	732,135	726,071
Rent deposit	837,989	830,212	641,580	641,580
Amounts due from the fund	771,448	81,922	771,448	81,922
Prepayments and accrued income	1,573,722	1,311,617	1,538,477	1,270,662
	<u>4,001,197</u>	<u>3,810,493</u>	<u>3,683,640</u>	<u>3,598,296</u>



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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**14. Cash and cash equivalents**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	<u>917,539</u>	<u>528,039</u>	<u>677,331</u>	<u>357,353</u>

**15. Creditors: Amounts falling due within one year**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	991,226	649,188	960,144	600,596
Amounts owed to the LLP	881,346	-	881,346	-
Corporation tax	116,908	189,882	127,740	153,297
Other taxation and social security	1,115,940	1,083,262	358,529	334,269
Other creditors	323,719	32,360	1,719,729	1,642,279
Accruals and deferred income	3,583,361	4,751,219	3,540,174	4,678,052
	<u>7,012,500</u>	<u>6,705,911</u>	<u>7,587,662</u>	<u>7,408,493</u>

**16. Share capital**

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
600,001- ordinary shares of £1 each	<u>600,001</u>	<u>600,001</u>

**17. Commitments under operating leases**

At 31 March 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	1,267,547	1,331,495	534,650	518,253
Later than 1 year and not later than 5 years	884,349	2,151,896	105,445	640,095
<b>Total</b>	<u>2,151,896</u>	<u>3,483,391</u>	<u>640,095</u>	<u>1,158,348</u>

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**Capula Investment Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2016**

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**18. Related party transactions**

The Company is a member of the LLP. During the year, the Company recharged £34,017,778 (2015: £36,463,724) of expenses to the LLP for administration services provided. In addition, the LLP provided funding to the Company, as at 31 March 2016, the Company owed the LLP £881,346 (2015: £878,061 the LLP owed the Company).

Capula Investment Japan Limited is a 100% owned subsidiary of the Company. During the year, the Company provided funding to Capula Investment Japan Limited. As at 31 March 2016, the Company owed Capula Investment Japan Limited £1,700,447 (2015: £1,609,919).

**19. Parent undertaking**

The Company's parent is Capula Management Limited, a company incorporated in the Cayman Islands.

The Group, of which the Company is the parent, is the smallest and largest group that prepares consolidated financial statements that include the Company.

**20. Ultimate controlling party**

The directors consider the ultimate controlling party to be Y Huo.