

Capstone Investment Advisors (UK), LLP

Annual Report and Financial Statements

For the year ended 31 December 2022

Limited Liability Partnership Registration No. OC330201 (England and Wales)

Capstone Investment Advisors (UK), LLP

Limited Liability Partnership Information

Designated members	Capstone Investment Advisors, LLC T Stott
Limited liability partnership number	OC330201
Registered office	1st Floor 10 New Burlington Street London W1S 3BE
Auditor	Moore Kingston Smith LLP 6th Floor 9 Appold Street London EC2A 2AP
Business address	1st Floor 10 New Burlington Street London W1S 3BE
Bankers	Bank of America 2 King Edward Street London EC1A 1HQ

Capstone Investment Advisors (UK), LLP

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CAPSTONE INVESTMENT ADVISORS (UK), LLP

MEMBERS' REPORT

For the year ended 31 December 2022

The members present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of Capstone Investment Advisors (UK), LLP ('the limited liability partnership') is to establish investment management relationships and to provide investment management services. The limited liability partnership is regulated by the Financial Conduct Authority as a MIFIDPRU firm.

Designated members

The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Capstone Investment Advisors, LLC
T Stott

Policy on members' drawings and capital

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so members are repaid their capital at "par".

Members' interests

During the year discretionary profits of £20,416,746 were allocated to members.

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

CAPSTONE INVESTMENT ADVISORS (UK), LLP

MEMBERS' REPORT (Continued)

For the year ended 31 December 2022

Statement of members' responsibilities

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members 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 limited liability partnership will continue in business.

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

Statement of disclosure to auditor

Each of the members in office at the date of approval of this annual report confirms that:

- so far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditor is unaware, and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the limited liability partnership's auditor is aware of that information.

On behalf of the members

R Hanna, signing on behalf of
Capstone Investment Advisors, LLC

Designated member

20 April 2023

Capstone Investment Advisors (UK), LLP

Independent Auditor's Report

To the Members of Capstone Investment Advisors (UK), LLP

Opinion

We have audited the financial statements of Capstone Investment Advisors (UK), LLP (the 'limited liability partnership') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Reconciliation of Members' Interests, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2022 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 to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Capstone Investment Advisors (UK), LLP

Independent Auditor's Report (Continued)

To the Members of Capstone Investment Advisors (UK), LLP

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Capstone Investment Advisors (UK), LLP

Independent Auditor's Report (Continued)

To the Members of Capstone Investment Advisors (UK), LLP

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the limited liability partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Capstone Investment Advisors (UK), LLP

Independent Auditor's Report (Continued)

To the Members of Capstone Investment Advisors (UK), LLP

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the limited liability partnership.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Limited Liability Partnerships SORP, UK financial reporting standards as issued by the Financial Reporting Council, UK taxation legislation and regulations applicable to companies regulated by the Financial Conduct Authority.
- We obtained an understanding of how the limited liability partnership complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or ~~misstatement~~ **misrepresentation**, or through collusion.

This report is made solely to the Limited Liability Partnership's 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 Limited Liability Partnership's members those matters which 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 any party other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our work, for this report, or for the opinions we have formed.

Andrew Grieve (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

Date:

Chartered Accountants
Statutory Auditor

6th Floor
9 Appold Street

Capstone Investment Advisors (UK), LLP

Independent Auditor's Report (Continued)

To the Members of Capstone Investment Advisors (UK), LLP

London
EC2A 2AP

CAPSTONE INVESTMENT ADVISORS (UK), LLP

STATEMENT OF COMPREHENSIVE INCOME (INCLUDING THE PROFIT AND LOSS ACCOUNT)

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Turnover		39,773,379	22,105,780
Cost of sales		(4,355,432)	(4,255,790)
Gross profit		35,417,947	17,849,990
Administrative expenses		(11,599,962)	(7,905,909)
Profit for the financial year before members' remuneration and profit shares		23,817,985	9,944,081
Profit for the financial year before members' remuneration and profit shares		23,817,985	9,944,081
Members' remuneration charged as an expense	6	(3,401,239)	(3,021,160)
Profit for the financial year available for discretionary division among members		20,416,746	6,922,921
Total comprehensive income for the year		20,416,746	6,922,921

Capstone Investment Advisors (UK), LLP

Balance Sheet

As at 31 December 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	7		450,052		504,333
Current assets					
Debtors	8	24,668,684		17,606,696	
Cash and cash equivalents		2,131,836		2,534,715	
		26,800,520		20,141,411	
Creditors: amounts falling due within one year	9	(9,281,915)		(5,145,764)	
Net current assets			17,518,605		14,995,647
Total assets less current liabilities and net assets attributable to members			17,968,657		15,499,980
Represented by:					
Loans and other debts due to members within one year					
Amounts due in respect of profits			12,006,167		8,707,979
Members' other interests					
Members' capital classified as equity			5,962,490		6,792,001
			17,968,657		15,499,980
Total members' interests					
Amounts due from members			(20,377,769)		(13,966,211)
Loans and other debts due to members			12,006,167		8,707,979
Members' other interests			5,962,490		6,792,001
			(2,409,112)		1,533,769

The financial statements were approved by the members and authorised for issue on 20 April 2023 and are signed on their behalf by:

Capstone Investment Advisors, LLC

Designated member

Limited Liability Partnership Registration No. OC330201

Capstone Investment Advisors (UK), LLP

Reconciliation of Members' Interests

For the year ended 31 December 2022

<i>Current financial year</i>	EQUITY			DEBT		TOTAL
	Members' capital	Other reserves	Members' other interests	Loans and other debts due to members less any amounts due from members in debtors	Total	Members' Interests
	£	£	£	£	£	£
Amounts due to members				8,707,979		
Amounts due from members				(13,966,211)		
Members' interests at 1 January 2022	6,792,001	-	6,792,001	(5,258,232)	(5,258,232)	1,533,769
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	-	-	3,401,239	3,401,239	3,401,239
Profit for the financial year available for discretionary division among members	-	20,416,746	20,416,746	-	-	20,416,746
Members' interests after profit and remuneration for the year	6,792,001	20,416,746	27,208,747	(1,856,993)	(1,856,993)	25,351,754
Allocation of profit for the financial year	-	(20,416,746)	(20,416,746)	20,416,746	20,416,746	-
Introduced by members	1,932,650	-	1,932,650	-	-	1,932,650
Repayments of capital	(2,762,161)	-	(2,762,161)	-	-	(2,762,161)
Drawings	-	-	-	(14,715,217)	(14,715,217)	(14,715,217)
Other movements	-	-	-	(12,216,138)	(12,216,138)	(12,216,138)
Members' interests at 31 December 2022	5,962,490	-	5,962,490	(8,371,602)	(8,371,602)	(2,409,112)
Amounts due to members				12,006,167		
Amounts due from members, included in debtors				(20,377,769)		
				(8,371,602)		

Capstone Investment Advisors (UK), LLP

Reconciliation of Members' Interests (Continued)

For the year ended 31 December 2022

<i>Prior financial year</i>	EQUITY		DEBT		TOTAL
	Members' capital	Members' other reserves	Members' other interests	Loans and other debts due to members less any amounts due from members in debtors	Members' Interests
	£	£	Total Other amounts	Total	Total 2021 £
Amounts due to members			26,421,326		
Amounts due from members			(34,305,286)		
Members' interests at 1 January 2021	5,947,490	-	(7,883,960)	(1,936,470)	
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	-	3,021,160	3,021,160	3,021,160
Profit for the financial year available for discretionary division among members	-	6,922,921	-	-	6,922,921
Members' interests after profit and remuneration for the year	5,947,490	6,922,921	(4,862,800)	(4,862,800)	8,007,611
Allocation of profit for the financial year	-	(6,922,921)	6,922,921	6,922,921	-
Introduced by members	859,511	-	-	-	859,511
Repayments of capital	(15,000)	-	-	-	(15,000)
Drawings	-	-	(31,002,853)	(31,002,853)	(31,002,853)
Other movements	-	-	23,684,500	23,684,500	23,684,500
Members' interests at 31 December 2021	6,792,001	-	(5,258,232)	(5,258,232)	1,533,769
Amounts due to members			8,707,979		
Amounts due from members, included in debtors			(13,966,211)		
			(5,258,232)		

Capstone Investment Advisors (UK), LLP

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	17	27,530,741		6,650,697	
Payments to members		(26,931,355)		(31,002,853)	
Net cash inflow/(outflow) from operating activities		599,386		(24,352,156)	
Investing activities					
Purchase of tangible fixed assets		(172,754)		(242,453)	
Net cash used in investing activities		(172,754)		(242,453)	
Financing activities					
Capital introduced by members (classified as debt or equity)		1,932,650		24,544,011	
Repayment of capital or debt to members		(2,762,161)		(15,000)	
Net cash (used in)/generated from financing activities		(829,511)		24,529,011	
Net decrease in cash and cash equivalents		(402,879)		(65,598)	
Cash and cash equivalents at beginning of year		2,534,715		2,600,313	
Cash and cash equivalents at end of year		2,131,836		2,534,715	

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 Accounting policies

Limited liability partnership information

Capstone Investment Advisors (UK), LLP is a limited liability partnership incorporated in England and Wales. The registered office is 1st Floor, 10 New Burlington Street, London, W1S 3BE.

The limited liability partnerships' principal activities are disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in December 2018, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements, which are those of Capstone Investment Advisors (UK), LLP as an individual entity, have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

The financial statements of the limited liability partnership are drawn up to 31 December each year.

1.2 Going concern

At the time of approving the financial statements, the members have a reasonable expectation that the limited liability partnership has adequate resources to continue in operational existence for the foreseeable future. Thus the members continue to adopt the going concern basis of accounting in preparing the financial statements. The company's parent entity has confirmed it will continue to support the company to enable it to continue to trade for at least a year from the date of approval of these financial statements.

1.3 Turnover

Turnover represents the fair value of services provided during the period to the ultimate parent company. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amount expected to be recoverable from the ultimate parent company and is based on services provided and expenses incurred, but excludes VAT.

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.4 Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within Members' remuneration charged as an expense in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as 'Amounts due from members' within members' interests.

Once an unavoidable obligation has been created in favour of members through allocation of profits or other means, any undrawn profits remaining at the reporting date are shown as 'Loans and other debts due to members' to the extent they exceed debts due from a specific member.

The LLP classifies automatic or discretionary profit distributions as operating cash flows, because they are in substance paid for services rendered to the LLP as part of its revenue generating activities.

1.5 Tangible fixed assets

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

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

Short leasehold land and buildings	over the life of the lease
Plant and machinery	over 5 years on a straight line basis
Fixtures, fittings and equipment	over 7 years on a straight line basis

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

1.6 Impairment of fixed assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying value. If the estimated recoverable amount is lower, the carrying value is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.7 Debtors and creditors

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans and other debtors receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors and other current creditors payable on demand are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.8 Taxation

The taxation payable on the partnership profits is solely the personal liability of the individual members consequently neither partnership taxation nor related deferred taxation arising in respect of the partnership are accounted for in these financial statements.

1.9 Employee benefits

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

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

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

1.10 Retirement benefits and post retirement payments to members

The limited liability partnership contributes to personal pension schemes of certain individual employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease.

1.12 Foreign exchange

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

1.13 Members' remuneration and equity

A member's share in the profit or loss for the year is accounted for when profits are allocated. Unallocated profits and losses are included within other reserves. The treatment of members' remuneration in the profit and loss account is determined by reference to the nature of the participation rights that give rise to the remuneration. If the members' remuneration gives rise to a liability it is charged as an expense. Amounts subscribed or otherwise contributed by members are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity capital. Equity capital is any capital that is repayable to the member only at the discretion of the limited liability partnership.

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.14 Deferred compensation

The LLP has a remuneration policy whereby a portion of the compensation for the year for eligible employees is deferred and may be subject to forfeiture. Payment to participating employees will depend on whether they remain in the employment of the LLP and on their performance over the deferral period.

Deferred remuneration is recognised as an expense evenly over the deferral period once an obligation exists, it is probable that the LLP will be required to pay the deferred remuneration and the amount can be measured reliably.

2 Judgements and key sources of estimation uncertainty

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

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

The members do not consider there to be any key estimates or judgements applicable to the company.

3 Operating profit

	2022	2021
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	77,266	(1,705)
Depreciation of owned tangible fixed assets	227,035	185,191
Operating lease charges	882,617	784,762
	<u> </u>	<u> </u>

4 Auditor's remuneration

	2022	2021
Fees payable to the LLP's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the LLP	35,535	37,275
	<u> </u>	<u> </u>
For other services		
All other non-audit services	9,047	3,900
	<u> </u>	<u> </u>

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5 Employees

The average number of persons (excluding members) employed by the partnership during the year was:

	2022 Number	2021 Number
Advisory	19	14
Administration	39	30
Total	58	44

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	10,043,292	7,945,397
Social security costs	1,378,639	745,711
Pension costs	254,546	183,998
	11,676,477	8,875,106

6 Members' remuneration

	2022 Number	2021 Number
Average number of members during the year	18	17

	2022 £	2021 £
Profit attributable to the member with the highest entitlement	5,221,705	4,978,262

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

7 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2022	1,091,766	85,392	462,745	1,639,903
Additions	30,523	136,501	5,730	172,754
At 31 December 2022	1,122,289	221,893	468,475	1,812,657
Depreciation and impairment				
At 1 January 2022	673,219	85,392	376,959	1,135,570
Depreciation charged in the year	137,811	59,150	30,074	227,035
At 31 December 2022	811,030	144,542	407,033	1,362,605
Carrying amount				
At 31 December 2022	311,259	77,351	61,442	450,052
At 31 December 2021	418,547	-	85,786	504,333

8 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Amounts owed by members	20,377,769	13,966,211
Other debtors	3,929,653	3,168,514
Prepayments and accrued income	361,262	221,971
	24,668,684	17,356,696
Amounts falling due after more than one year:		
Other debtors	-	250,000
Total debtors	24,668,684	17,606,696

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

9 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	316,342	101,853
Other taxation and social security	1,297,667	819,042
Other creditors	4,297,156	2,324,395
Accruals and deferred income	3,370,750	1,900,474
	<u>9,281,915</u>	<u>5,145,764</u>

10 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>254,546</u>	<u>183,998</u>

The limited liability partnership operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the limited liability partnership in an independently administered fund.

11 Loans and other debts due to members

	2022 £	2021 £
Analysis of loans		
Amounts falling due within one year	<u>12,006,167</u>	<u>8,707,979</u>

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors.

Any reduction in members' other interests are subject to approval by the limited liability partnership's managing committee.

12 Operating lease commitments

Lessee

At the reporting end date the limited liability partnership had outstanding commitments for future minimum lease payments under non-cancellable rental operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	758,396	758,396
Between two and five years	631,997	1,390,393
	<u>1,390,393</u>	<u>2,148,789</u>

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

13 Related party transactions

Transactions with related parties

During the year the limited liability partnership entered into the following transactions with related parties:

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
Amounts due from related parties		
Other related parties	-	250,000

During the year, the outstanding loan balance due from a charity of which a member of the LLP has an interest was expensed as a charitable donation from the LLP.

Other information

At the balance sheet date £3,720,659 (2021: £3,007,116) is included in debtors in relation to balances owing from companies in which the ultimate controlling party has an interest. These amounts are interest free, unsecured and repayable on demand.

At the balance sheet date £4,110,838 (2021: £231,662) is included in creditors in relation to balances owed to companies in which the ultimate controlling party has an interest. These amounts are interest free, unsecured and repayable on demand.

14 Members' transactions

During the year the limited liability partnership provided management services to Capstone Investment Advisors, LLC totalling £39,773,379 (2021: £22,105,780).

15 Ultimate controlling party

The ultimate controlling party is P Britton (2021: P Britton) by virtue of his interest in the designated member, Capstone Investment Advisors, LLC, a company incorporated in the United States of America (2021: Capstone Investment Advisors, LLC).

16 Deferred compensation

As part of the LLP's remuneration policy, unvested deferred compensation amounts for which a provision has not been recognised is £1,275,559 (2021: £569,825).

CAPSTONE INVESTMENT ADVISORS (UK), LLP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

17 Cash generated from operations	2022 £	2021 £
Profit for the year	23,817,985	9,944,081
Adjustments for:		
Depreciation and impairment of tangible fixed assets	227,035	185,191
Movements in working capital:		
Increase in debtors	(650,430)	(2,726,422)
Increase/(decrease) in creditors	4,136,151	(752,153)
Cash generated from operations	27,530,741	6,650,697
18 Analysis of changes in net funds	1 January 2022 £	Cash flows 31 December 2022 £
Cash at bank and in hand	2,534,715	(402,879) 2,131,836
Loans and other debts due to members:		
- Other amounts due to members	(8,707,979)	(3,298,188) (12,006,167)
Balances including members' debt	(6,173,264)	(3,701,067) (9,874,331)

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