

Registration No. OC393269

Squarepoint Capital LLP

Members' Report and Audited Financial Statements

For the year ended 31 December 2017

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Squarepoint Capital LLP

Registration No: OC393269

General Information

Designated members

Squarepoint UK Holdco 1 Limited
Pierre-Adrien Nicolas

Registered Office

Citypoint
One Ropemaker Street,
London
EC2Y 9AW

Banker

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E15 5HP

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf, London
E14 5EY

Squarepoint Capital LLP

Registration No: OC393269

Index

	Page
Members' Report	1
Statement of Members' Responsibilities	4
Independent Auditor's Report	5
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Members' Capital	9
Cash Flow Statement	10
Notes to the Financial Statements	11

Squarepoint Capital LLP

Registration No: OC393269

**Members' Report
For the year ended 31 December 2017**

The members present their Members' Report for Squarepoint Capital LLP (the "Partnership") with the financial statement for the year ended 31 December 2017.

Principal activities

The principal activity of the Partnership is to provide sub-investment management services to Squarepoint Master Fund Limited ("Master Fund"), Squarepoint Core Master Fund Limited ("Core Master Fund"), and Squarepoint Focus Master Fund Limited ("Focus Master Fund") (collectively, "the Funds"). The Partnership expects to continue its current activities.

Business review

The audited financial statements for the Partnership are shown on pages 7 to 20. The profit for the year after taxation amounted to £20,994,123 (2016: £5,684,230).

During the year, the Partnership expanded its investments research and investment management teams and considers the future prospects of the Partnership to be good. The Partnership is authorised and regulated by the Financial Conduct Authority ("FCA").

The Partnership monitors performance on an on-going basis. The key performance indicators are positive performance and increased size of the funds under management.

Designated members

The following designated members have held office during the year:
Squarepoint UK Holdco 1
Pierre-Adrien Nicolas

Policy on members' drawings

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at 'par', so the retiring members are repaid their capital at 'par'.

Staff

The Partnership averaged 65 employees in 2017 (2016: 45).

Principal risks and uncertainties

The Partnership's business carries a number of risks and uncertainties. Details of the Partnership's financial risks are as follows:

Foreign currency exchange risks

The Partnership engages in related company transactions denominated in currencies other than Great British Pounds, such exposure is monitored by management.

Credit risk

Credit risk is the potential exposure of the Partnership to loss in the event of non-performance by a counterparty. The Partnership controls credit risk through credit approval processes for new counterparties. The Partnership minimises exposure to credit risk by monitoring of creditworthiness of all counterparties.

Squarepoint Capital LLP

Registration No: OC393269

**Members' Report (continued)
For the year ended 31 December 2017**

Liquidity risk

Liquidity risk is the risk that the sources of funding for the Partnership's business activities may not be available. This risk is managed via detailed budgeting and cash management techniques and is monitored by the Partnership's senior management.

Operational risk

Operational risk is the risk of a loss or other adverse consequences arising from inadequate or failed internal processes, people and systems, or from external events. The Partnership mitigates its operational risk exposures through the implementation of an effective control environment.

Legal, regulatory and compliance risk

This category includes the risk of non-compliance with applicable legal and regulatory frameworks, in particular those of the FCA. The Partnership has established procedures that are designed to ensure compliance with applicable statutory and regulatory requirements. The Partnership has established internal policies relating to ethics and business conduct, compliance with applicable legal and regulatory requirements, as well as training and other procedures designed to ensure that these policies are followed.

Members' liabilities

The Partnership has not provided any indemnities to its Members at any time during the financial period or at the time when the members' report is approved.

Financial Instruments

Pursuant to its BIPRU authorisation, the Partnership does not use or hold financial instruments for its own account.

Charitable and political contributions

Neither the Partnership (either individually or as an entity) nor its affiliates made any charitable or political contributions in 2017 (2016: nil).

Going concern

Based on projected cash requirements and available resources, the members have a reasonable expectation that the Partnership has adequate resources (both financial and regulatory) to continue in operational existence for the foreseeable future. Furthermore, the members are not aware of any material uncertainties that may cast significant doubt upon the Partnership's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Events since the statement of financial position date

There have been no events after the statement of financial position date which require disclosure in these financial statements.

Statement of disclosure to auditors

In the case of each of the persons who are members at the time when the report is approved, there is no relevant audit information of which the Partnership's auditors are unaware. Additionally, the members have taken all the necessary steps that they ought to have taken as members in order to make themselves aware of all relevant audit information and to establish that the Partnership's auditors are aware of that information.

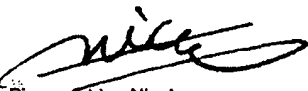
Squarepoint Capital LLP

Registration No: OC393269

**Members' Report (continued)
For the year ending 31 December 2017**

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008).



Pierre-Adrien Nicolas
Director of Squarepoint UK Holdco 1 Limited
Designated member
24 April 2018

Squarepoint Capital LLP

Registration No: OC393269

**Statement of Members' Responsibilities
For the year ended 31 December 2017**

The members are responsible for preparing the Members' 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 those regulations the members have elected to prepare the Partnership's financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and in accordance with applicable laws and regulations in United Kingdom.

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 Partnership and of the profit or loss of the Partnership for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

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

Independent Auditor's Report to the Members of Squarepoint Capital LLP
For the year ended 31 December 2017

Opinion

We have audited the financial statements of Squarepoint Capital LLP for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Member's Capital, the Cash Flow Statement and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2017 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRS as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 below. 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.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Independent Auditor's Report to the Members of Squarepoint Capital LLP (continued)
For the year ended 31 December 2017

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 Statement of Members' Responsibilities set out on page 4, 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 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 partnership or to cease operations, or have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 April 2018

Squarepoint Capital LLP

Registration No: OC393269

**Statement of Comprehensive Income
For the year ended 31 December 2017**

	Notes	2017	2016
		GBP	GBP
Revenue			
Sub-manager fees	3,7	32,604,144	15,238,165
Expense reimbursement revenue	3,7	13,717,194	10,602,057
Other income		10,680	11,288
Total revenue		46,332,018	25,851,510
Expenses			
Staff cost	4	18,366,071	14,026,021
Depreciation expense	5	606,081	336,103
Other operating expenses		6,434,632	5,642,437
Total expenses		25,406,784	20,004,561
Net profit for the year before taxes		20,925,234	5,846,949
Tax credit/(expense)	6	68,889	(162,719)
Net profit for the year before members' remuneration and discretionary profit allocation		20,994,123	5,684,230
Other comprehensive (loss)/income:			
To be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operation			(115,606)
Reclassified to profit or loss			120,730
Other comprehensive income for the year			5,124
Total comprehensive income for the year		20,994,123	5,689,354

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

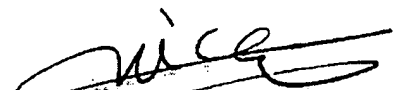
Squarepoint Capital LLP

Registration No: OC393269

**Statement of Financial Position
For the year ended 31 December 2017**

	Notes	2017 GBP	2016 GBP
Assets			
Non-current assets			
Property, plant and equipment	5	2,719,936	1,513,590
Rent deposits		1,307,206	1,513,227
Total non-current assets		4,027,142	3,026,817
Current assets			
Cash		6,613,691	2,357,107
Amounts due from related parties	7	22,777,055	8,299,036
Prepaid expenses		678,090	234,069
Other receivables		163,432	339,332
Tax receivable	6	-	176,444
Total current assets		30,232,268	11,405,988
Total assets		34,259,410	14,432,805
Liabilities			
Current liabilities			
Accrued compensation		9,272,450	7,588,416
Accrued expenses		1,606,658	585,583
Amounts due to a related party	7	1,278	-
Other payables		-	23,817
Total current liabilities		10,880,386	8,197,816
Net current assets		19,351,882	3,208,172
Net assets attributable to members		23,379,024	6,234,989
Other debt due to members within one year		1,744,000	2,522,500
Equity- members' other interests			
Members' other interests – other reserves classified as equity		20,313,408	2,390,873
Members' capital		1,321,616	1,321,616
Total members' other interests		21,635,024	3,712,489
Total members' interest		21,635,024	3,712,489
Other debts due to members		1,744,000	2,522,500
Members' other interests		21,635,024	3,712,489
Total members' interest		23,379,024	6,234,989

Approved by the Members and authorised for issue on 24 April 2018.

Pierre-Adrien Nicolas
Director of Squarepoint UK Holdco 1 Limited
Designated member*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

Squarepoint Capital LLP

Registration No: OC393269

Statement of Changes in Members' Capital
For the year ended 31 December 2017

	Members' capital (classified as equity) GBP	Re-valuation reserve GBP	Other reserves GBP	Total Members' capital GBP	Loans due to members GBP	Total Members' capital and other interest GBP
Members' interests at 31 December 2016	1,321,616	-	2,390,873	3,712,489	2,522,500	6,234,989
Profit for the year	-	-	20,994,123	20,994,123	-	20,994,123
Total comprehensive income	-	-	20,994,123	20,994,123	-	20,994,123
Members' capital introduced	1,000	-	-	1,000	-	1,000
Members' capital returned	(1,000)	-	-	(1,000)	-	(1,000)
Profit allocation	-	-	(827,588)	(827,588)	-	(827,588)
Other division of profit	-	-	(1,744,000)	(1,744,000)	1,744,000	-
Drawings	-	-	(500,000)	(500,000)	(2,522,500)	(3,022,500)
Members' interests at 31 December 2017	1,321,616	-	20,313,408	21,635,024	1,744,000	23,379,024
	Members' capital (classified as equity) GBP	Re-valuation reserve GBP	Other reserves GBP	Total Members' capital GBP	Loans due to members GBP	Total Members' capital and other interest GBP
Members' interests at 31 December 2015	1,321,616	(5,124)	6,732,419	8,048,911	2,014,000	10,062,911
Profit for the year	-	-	5,684,230	5,684,230	-	5,684,230
FX on translation of Branch	-	5,124	-	5,124	-	5,124
Total comprehensive income	-	5,124	5,684,230	5,689,354	-	5,689,354
Profit allocation	-	-	(775,980)	(775,980)	-	(775,980)
Other division of profit	-	-	(2,522,500)	(2,522,500)	2,522,500	-
Drawings	-	-	(6,727,296)	(6,727,296)	(2,014,000)	(8,741,296)
Members' interests at 31 December 2016	1,321,616	-	2,390,873	3,712,489	2,522,500	6,234,989

The accompanying accounting policies and explanatory information form an integral part of the financial statements

Squarepoint Capital LLP

Registration No: OC393269

Cash Flow Statement

For the year ended 31 December 2017

	2017 GBP	2016 GBP
Cash flows from operating activities		
Net profit for the year before taxes	20,925,234	5,846,949
Adjustments for to reconcile net profit for the year before taxes to net cash flow from operating activities:		
FX translation of Branch	-	(120,730)
Depreciation expense	606,081	336,103
Loss on disposal of property and equipment	268,642	-
Operating income/ before working capital changes	21,799,957	6,062,322
(Increase)/decrease in assets:		
Rent deposits, prepaid expenses and other receivables	(62,100)	(1,461,141)
Amounts due from related parties	(14,478,019)	987,555
Increase/(decrease) in liabilities:		
Accrued compensation	1,684,034	5,484,276
Accrued expenses and other payables	997,258	190,100
Amounts due to a related party	1,278	-
Cash flow from operations	9,942,183	11,263,112
Income tax received/(paid)	245,333	(724,923)
Net cash flows provided by operating activities	10,187,516	10,538,189
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,244,206)	(895,850)
Proceeds from disposal of property and equipment	163,137	-
Net cash flows used in investing activities	(2,081,069)	(895,850)
Cash flow from financing activities		
Payments to members	(3,850,000)	(9,517,276)
Members' capital introduced	1,000	-
Repayment of capital to member	(1,000)	-
Net cash used in financing activities	(3,850,088)	(9,517,276)
Net increase in cash	4,256,584	125,063
Effect of exchange rate gain/(loss) on cash	-	21,338
Cash at the beginning of the year	2,357,107	2,210,706
Cash at the end of the year	6,613,691	2,357,107

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

The financial statements of Squarepoint Capital LLP (the "Partnership") for the financial year ended 31 December 2017 were authorised for issue by the members on 24 April 2018. The Partnership is a limited liability partnership incorporated in England. The registered office of the Partnership is located at Citypoint, One Ropemaker Street, London, EC2Y 9AW. The Partnership closed its branch office located in Tokyo, Japan (the "Branch") on 28 December 2016.

The principal activity of the Partnership is the provision of investment management and support services with respect to affiliated alternative investment funds.

The Partnership's parent entity is Squarepoint UK Holdco 1 Limited ("UK Holdco 1"), a company incorporated in England. Its ultimate holding company is Squarepoint Holdings Limited ("Squarepoint Ltd"), a limit company incorporated in Cayman Islands. Related parties refer to companies which are affiliated with Squarepoint Ltd (collectively referred to as "Squarepoint Group"). All members are related parties of Squarepoint Ltd.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Partnership's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2017. The accounting policies applied are consistently used throughout the financial year.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling ("GBP" or "£").

After reviewing the Partnership's forecast and projections, the members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. The Partnership therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Standards issued but not yet effective

The Partnership has not adopted the following standards that has been issued but not effective:

IFRS 9: 'Financial Instruments', effective for periods beginning on or after 1 January 2018 (endorsed 22 November 2016). The standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Management has assessed the impact on its financial statements on transition and it does not expect it to have a material impact on the Partnership's results.

IFRS 15: 'Revenue from Contracts with Customers', effective for periods beginning on or after 1 January 2018 (endorsed 22 September 2016). The standard replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes' and establishes a comprehensive framework for determining whether, how much and when revenue is recognised by introducing a five step model. IFRS 15 requires revenue to be recognised only to the extent that it is highly probable that the revenue will not subsequently be reversed and this is broadly in line with the Partnership's current accounting policy. Management has assessed the impact on the Partnership's financial statements and it does not expect it to have a significant impact on the Partnership's results.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (cont'd)

2.2 Standards issued but not yet effective (cont'd)

IFRS 16: 'Leases'; effective for periods beginning on or after 1 January 2019. The new standard replaces IAS 17 'Leases' and significantly revises the way that entities will account for leases. It will result in most leases being accounted for on-balance sheet recognising a new category of right-of-use asset and liability based on discounted future lease payments. The impact on the results of the Partnership may be material, with the asset being depreciated over its useful life and the lease payment being apportioned between a finance charge and capital repayment. The Partnership is assessing the potential impact on its financial statements.

2.3 Significant accounting estimates and judgements

The preparation of the Partnership's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosures of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of the asset or liability affected in the future. There were no significant accounting estimates and judgements used in the preparation of these financial statements.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Partnership and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding sales taxes or duty. The Partnership assesses its revenue arrangements to determine if it is acting as principal or agent. The Partnership has concluded that it is acting as a principal in all of its revenue arrangements.

2.5 Expenses

Expenses are accounted for on an accrual basis and charged to the statement of comprehensive income.

2.6 Reserves

Members' capital represents those amounts introduced by the members of the Partnership to be used in business operations. All amounts credited to each members' capital account shall be immediately and fully available to the Partnership for unrestricted use to cover risks and losses as and when they may occur. Future capital contributions and withdrawals are permitted as outlined by the partnership agreements. The Partnership has no obligation to return members' capital and, accordingly, this has been treated as an equity item within the statement of financial position. Other reserves represent the unallocated profits from operations of the period.

2.7 Members' profit allocation and drawings

Following the payment of any fixed remuneration entitlement to members, any remaining profits are shared among the members as decided on a discretionary basis by management in the Squarepoint Group and governed by the Partnership Agreement dated 19 December 2014. Amounts becoming due to members in respect of members' profit allocation are debited directly to reserves in the period in which the divisions occurs. Drawings are recognised as loans due from members until allocation occurs.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (cont'd)

2.8 Foreign currencies

Functional and presentation currency

The Partnership's financial statements are presented in GBP, which is the Partnership's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the Branch was Japanese Yen ("JPY"). For reporting periods prior to 1 January 2017, the assets and liabilities of the Branch were translated into the presentation currency of the Partnership at the exchange rates prevailing at the end of the reporting period and the income statement was translated into GBP at the weighted average exchange rates for the period. The exchange differences arising on translation for the Branch were recognised in revaluation reserve. On closure of the Branch, the component of the revaluation reserve was reclassified into profit or loss.

2.9 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, leasehold improvement, computer equipment and furniture are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes replacing part of the fixed asset that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The cost of a fixed asset is recognised as an asset, if, and only if, it is probable that future economic benefits associated with the item will flow to the Partnership and the cost of the item can be measured reliably.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvement	- Over the term of the lease
Computer equipment	- 4 - 6 years
Office furniture	- 5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of the assets are included in profit or loss in the financial year the asset is derecognised.

2.10 Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Partnership becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or the Partnership has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is included in the profit or loss for that period.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

The Partnership classified amounts due from related parties, and other receivables as loans and receivables.

2.11 Impairment of financial assets

The Partnership assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets had been incurred, the Partnership considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 Cash

Cash deposits in the statement of financial position comprise of cash at banks, which is subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents include cash, as defined above, net of outstanding bank overdrafts considered to be an integral part of the Partnership's cash management.

2.13 Financial liabilities

Financial liabilities include payables which are normally settled on 30 - 90 days' terms. Financial liabilities also include amounts due to affiliate which are due upon demand of the affiliate.

Financial liabilities are recognised in the statement of financial position when, and only when, the Partnership becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value of consideration received less directly attributable transaction costs, and are measured subsequently at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities, gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (cont'd)

2.14 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating leases payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a reduction of rental expense on a straight line basis over the term of the lease.

2.15 Taxation

The Partnership is not a tax paying entity for the years ended 31 December 2017 and 31 December 2016. The taxation payable on the Partnership profits is the personal liability of the members, although payment of such liabilities is administered by the Partnership on behalf of the members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements. Sums set aside in respect of members' tax obligations are included in the statement of financial position within loans and other debts due to members or set against amounts due from members as appropriate.

The Branch was subject to tax on the basis of the tax laws enacted in Japan where the Branch operated and generated taxable income. Judgement was involved in determining the provision for taxation. There were certain transactions and computations for which the ultimate tax determination was subject to estimation during the ordinary course of business. The Branch recognised liabilities for expected tax issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters was different from the amounts that were initially recognised, such differences impacted the provision for taxation and deferred tax assets provisions in the financial year in which such determination was made.

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (cont'd)

2.16 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Partnership if that person:
- (i) Has control or joint control over the Partnership;
 - (ii) Has significant influence over the Partnership; or
 - (iii) Is a member of the key management personnel of the Partnership or of a parent of the Partnership.
- (b) An entity is related to the Partnership if any of the following conditions applies:
- (i) The entity and the Partnership are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Partnership or an entity related to the Partnership. If the Partnership is itself such a plan, the sponsoring employers are also related to the Partnership;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Revenue

Revenue represents the expense reimbursement revenue from provision of administrative and related services to a related company, and sub-manager fees for investment management services provided to alternative investment funds of the Squarepoint Group. Refer to note 7 for further details.

4. Members' and staff costs

Employment costs during the year ended 2017 and 2016 were as follows:

	2017	2016
	GBP	GBP
The average profit per member	514,318	659,696
Average profit per member is calculated based on the total profit allocated in the year of £ 2,571,588 (2016: £ 3,298,480) divided by the total number of members of 5 (2016: 5).		
Staff cost (excluding members' remuneration):		
- Salaries and wages	15,502,635	11,943,166
- Social security costs	2,114,816	1,503,259
- Pension	616,245	429,404
- Other benefits	132,375	150,192
	18,366,071	14,026,021
The average number of employees	65	45

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

5. Property and Equipment

	Computer Equipment and Furniture GBP	Leasehold Improvements GBP	Total GBP
Cost			
At 31 December 2016	1,499,477	595,634	2,095,111
Additions	1,738,526	505,680	2,244,206
Disposals	(350,708)	(370,147)	(720,855)
At 31 December 2017	<u>2,887,295</u>	<u>731,167</u>	<u>3,618,462</u>
Accumulated depreciation			
At 31 December 2016	476,020	105,501	581,521
Charge for the year	500,656	105,425	606,081
Disposals	(146,776)	(142,300)	(289,076)
At 31 December 2017	<u>829,900</u>	<u>68,626</u>	<u>898,526</u>
Net carrying amount			
At 31 December 2016	<u>1,023,457</u>	<u>490,133</u>	<u>1,513,589</u>
At 31 December 2017	<u>2,057,395</u>	<u>662,541</u>	<u>2,719,936</u>

6. Taxation

The Partnership is not a tax paying entity for the year ended 31 December 2017 and 31 December 2016. The taxable income/(loss) from the Partnership flows to the members. However the Branch is subject to tax on the basis of the tax laws enacted in Japan where the Branch operated and generated taxable income. The Japan profit taxes have been provided at the rate of 32.02% (2016: 35.15%) on the estimated assessable profits during the year. The Branch closed on 28 December 2016 and hence no Japan profit taxes have been provided for the year ended 31 December 2017.

	2017 GBP	2016 GBP
Current tax	-	66,526
Current tax assets not recognized in prior year	(68,889)	9,988
Deferred tax charge/(credit)	-	85,539
Deferred tax asset not recognized in prior year	-	(9,334)
	<u>(68,889)</u>	<u>162,719</u>

Squarepoint Capital LLP

Registration No: OC393269

Notes to the Financial Statements
For the year ended 31 December 2017**6. Taxation (cont'd)**

A reconciliation of the tax expense applicable to the income before tax using the statutory rates to the tax expense at the effective tax rate is as follows:

	2017 GBP	2016 GBP
Income before taxation	20,925,234	5,846,949
Tax at the applicable tax rate in Japan (2017:32.02%; 2016:35.15%)	6,700,260	2,055,203
Income derived from UK operations, not subjected to Japan tax	(6,700,260)	(1,971,090)
Non-deductible expenses	-	(21,690)
Deferred tax asset write-off	-	95,539
Deferred tax asset not recognized in prior year	-	(9,334)
Current tax assets not recognized in prior year	(68,889)	9,988
Other	-	4,103
Tax expense	(68,889)	162,719

As of 31 December 2016 the tax refund anticipated from the Japanese tax authorities was £176,444, the final tax refund received in 2017 was £245,333.

7. Related party transactions

During the year, the Partnership paid expenses on behalf of related parties. The Partnership earned expense reimbursement revenue from Squarepoint Ops LLC ("Ops LLC"), as the main investment manager, amounting to £13,717,194 (2016: £10,602,057) for the services provided to the Master Fund, Core Master Fund and Focus Master Fund (collectively, "the Funds"). The Partnership earned sub-manager fees from Ops LLC amounting to £32,604,144 (2016: £15,238,165) for investment management services provided in relation to the Funds.

The amounts due from/ (to) related parties, which are non-trade, unsecured, interest free and are repayable on demand. For the year ended 31 December 2017 and 31 December 2016, receivables and payable from related parties were as follows:

	2017 GBP	2016 GBP
Receivables		
Ops LLC	20,185,763	6,254,798
UK Holdco 1	2,472,301	1,915,114
Squarepoint UK Holdco 2 Limited	86,817	98,115
Squarepoint Operations Private Limited	25,802	30,528
Squarepoint Operating Company	3,487	45
Squarepoint Op Co GmbH	2,885	436
	22,777,055	8,299,036
Payable		
Squarepoint Technologies Inc.	(1,278)	-

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

8. Leases

The Partnership leases its office property under an operating lease arrangement of ten years. Future minimum lease payments under non-cancellable operating leases at 31 December 2017 and 31 December 2016 are as follows:

	2017 GBP	2016 GBP
Within one year	1,107,120	422,628
After one year but not more than five years	3,505,880	5,657,692
More than 5 years	4,336,220	4,737,906
	<u>8,949,220</u>	<u>10,818,226</u>

Operating lease expense recognized in the statement of comprehensive income, under other operating expenses, during the year ended 31 December 2017 was £1,042,630 (2016: £412,208).

9. Financial risk management objectives and policies

The Partnership is involved in the provision of administration and related services and is exposed to financial risks arising from its operations. The key financial risks include credit risk, foreign currency risk, and liquidity risk. Interest rate risk is minimal as the Partnership does not engage in investing or external financing activities. The members review and agree policies and procedures for the management of these risks. It is, and has been throughout the current period the Partnership's policy that no trading in derivatives shall be undertaken.

The following sections provide details regarding the Partnership's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks:

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. The Partnership's exposure to credit risk arises primarily from other receivable and due from related parties. Cash is placed with financial institutions with good credit rating.

The Partnership attempts to minimise its credit risk by evaluating and monitoring the credit exposure to its trade debtors. The Partnership adopted the policy of only dealing with credit worthy counterparties to mitigate the risk of financial loss from default. The Partnership transacts significantly with its related companies as it considers its related companies to be of good financial standing. The carrying amounts of other receivable, amounts due from related parties and cash represent the Partnership's maximum exposure to credit risk. No other financial asset carries a significant exposure to credit risk. At the end of the reporting period, there is no financial asset of the Partnership that is either past due or impaired.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or the fair value of the financial instruments will fluctuate because of changes in foreign exchange rates.

The functional currency of the Partnership is GBP. The Partnership is exposed to foreign currency risk which arises from its transactions denominated in currencies other than its functional currency. The Partnership primarily has transactional currency exposures arising from payments that are denominated in United States Dollars (USD). Management will monitor the USD exchange rates, however no active management of this risk is undertaken.

Squarepoint Capital LLP

Registration No: OC393269

**Notes to the Financial Statements
For the year ended 31 December 2017**

9. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting financial obligations due to shortage of funds.

To manage liquidity risk, the Partnership monitors its net operating cash flows and maintains an adequate level of cash. The Partnership projects operating expenses in advance for two quarters and receives an advance for these operating expenses from the Master Fund via Ops LLC. Any shortfall in advance of the Master Fund or expenses incurred on behalf of the Core Master Fund and Focus Master Fund is reimbursed to the Partnership via Ops LLC shortly after the respective quarter end.

The undiscounted contractual cash flows of accrued operating expenses, and amounts due to a related party are equivalent to their carrying amounts. Accrued operating expenses are repayable within one year whereas amounts due to a related party is repayable on demand.

10. Capital management

The Partnership manages its capital, comprised of the members' interests, to ensure that it will be able to continue as a going concern as well as sustaining the future development of the business. The Partnership is compliant with the capital requirements as set forth by the FCA.

11. Contingencies and commitments

There are no contingencies or commitments as at the reporting date other than the lease commitments disclosed in note 8.

12. Subsequent events

The Partnership has evaluated subsequent events through to the date of approval of the financial statements. The Partnership has determined that there are no material events that would require disclosure in the financial statements.