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**MCAP Global Finance (UK) LLP**  
**Report and Financial Statements**  
31 December 2013

TUESDAY



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COMPANIES HOUSE

## MCAP Global Finance (UK) LLP

Registered No OC 347221

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### **Members**

MCAP Global Finance Limited  
Louis Hanover

### **Auditors**

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

Ernst & Young U S LLP  
5 Times Square  
New York  
New York  
10036

### **Bankers**

HSBC Bank plc  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

### **Registered Office**

Gordon House  
10 Greencoat Place,  
London,  
UK  
SW1P 1PH

## **Members' report**

The members present their annual report and audited financial of MCAP Global Finance (UK) LLP (the LLP') statements for the year ended 31 December 2013

### **Results, distributions and contributions**

The results for the year are shown in the profit and loss account on page 7. The members' interests as detailed on page 8 shows a satisfactory position, amounting to £1,636,893 (2012 – £Nil)

### **Principal activity and review of the business**

The principal activity of MCAP Global Finance (UK) LLP is to provide sub advisory services to Marathon Asset Management LP. The profit prior to distributions for the year to 31 December 2013 was £886,893 (2012- £Nil)

### **Members' profit allocation**

Any profits are shared among the members as decided by the Managing Members and governed by the Limited Liability Partnership Agreement dated 1 July 2012 (the Partnership Agreement')

### **Policy for members' drawings, subscriptions and repayments of members' capital**

Policies for members' drawings, subscriptions and repayment of members' capital and transfers between equity and debt are governed by the Partnership Agreement.

Member's drawings, subscriptions and repayment of members' capital are subject to the approval of at least a majority of members.

### **Going concern**

The members have indicated that in their judgement there is reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future and the members continue to adopt the going concern basis in preparing these financial statements. The members believe that reliance on one customer, as discussed below, does not inhibit the partnership from continuing as a going concern into the foreseeable future.

### **Principal risks and uncertainties**

The members regularly review the risks and uncertainties facing the LLP. The LLP effectively relies upon only one customer and is consequently exposed to that customer's willingness and capacity to provide capital for management by the LLP. The LLP is also exposed to legal and regulatory risks, as an FCA regulated investment firm and as an investment manager active in many markets. The members continuously review their compliance procedures.

### **Pillar 3**

Details of the LLP's unaudited Pillar 3 disclosure required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') is disclosed in the unaudited appendix to the financial statements on page 14.

## **Members' report** *(continued)*

### **Members**

The members of the LLP during the year were as follows

MCAP Global Finance Limited\*

Louis Hanover\*

*(\* indicates a Designated Member)*

### **Disclosure of information**

So far as the members approving this report are aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The members have taken all the steps that they are obligated to take as members in order to have made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next members meeting.

By order of the members



Louis Hanover  
Designated Member

23 April 2014

## **Statement of designated members' responsibilities**

The Designated Members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 require the members to prepare financial statements each year. Under that regulation the Designated Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the regulation the Designated 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 LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the Designated 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business

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

# **Independent auditor's report**

## **to the members of MCAP Global Finance (UK) LLP**

We have audited the financial statements of MCAP Global Finance (UK) LLP for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of members and auditor**

As explained more fully in the Members' Responsibilities Statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the member's report and the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

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 2013 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.

## **Independent auditors' report**

to the members of MCAP Global Finance (UK) LLP *(continued)*

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied 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



Ashley Coups (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date



## Profit and loss account for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Income</b>			
Sub advisory fees	2	9 625 670	-
Administrative expenses		(8 738 777)	-
<b>Operating profit</b>	3	886,893	-
Interest income		-	-
<b>Profit for year available for discretionary division amongst members</b>		886 893	-

All amounts arose from continuing operations

## Statement of total recognised gains and losses for the year ended 31 December 2013

There are no recognised gains or losses other than the profit of £ 886 893 in the year ended 31 December 2013 (2012 – Nil)

The accompanying notes 1 to 12 form part of the financial statements

# MCAP Global Finance (UK) LLP

Registered No OC 347221

## Balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
<b>Current assets</b>			
Debtors	5	5,850,388	-
Cash at bank and in hand		186,563	-
		6,036,951	-
<b>Creditors</b> , amounts falling due within one year	6	(4,400,058)	-
<b>Net current assets</b>		1,636,893	-
<b>Total assets less current liabilities</b>		1,636,893	-
<b>Net Assets attributable to members represented by Equity</b>			
Members' capital	7	750,000	-
Other reserves/net income	8	886,893	-
		1,636,893	-
<b>Total members' interests</b>			
Amounts due to members	8	4,338,058	-
Members' other interests	8	1,636,893	-
<b>Total members' interests</b>	8	5,974,951	-

The financial statements on pages 7 to 13 were approved by the managing member on 23 April 2014 and signed on its behalf by;



Louis Hanover  
Designated member

The accompanying notes 1 to 12 form part of the financial statements

## Statement of cash flows

for the year ended 31 December 2013

		2013	2012
	<i>Note</i>	£	£
<b>Net cash outflow from operating activities</b>	9(a)	(563,437)	-
<b>Returns on investments and servicing of finance</b>			
Bank interest received		-	-
<b>Transactions with members</b>			
Contributions	9(b)	750,000	-
<b>Increase in cash for the year</b>	9(c)	186 563	-

The accompanying notes 1 to 12 form part of the financial statements

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships (SORP) issued in March 2010. The financial statements have been prepared under United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The financial statements are presented in sterling, the primary currency of operations of the partnership.

#### *Income*

Income, which is stated net of VAT, represents fees receivable for investment advisory services provided during the year and arising from continuing activities in the UK. Fees are recognised when the LLP obtains the right for consideration in exchange for its performance and are measured at the fair value of the consideration received.

#### *Taxation*

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

#### *Foreign currencies*

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

### 2. Income

Income is comprised as follows

	2013	2012
	£	£
Sub advisory fees	9 625 670	-

All of the income in the year is from the sub advisory service to Marathon Asset Management LP.

### 3. Operating income

This is stated after charging

	2013	2012
	£	£
Auditors' remuneration – audit services	17 000	-

## Notes to the financial statements

at 31 December 2013

### 4. Members' remuneration and allocation of profits

	2013	2012
	£	£
Profit for the year before members' remuneration and profit share	886 893	-
Profit for the year available for division among the members	886 893	-
Profit in respect of the highest paid member	-	-
	<i>No</i>	<i>No</i>
The average number of members during the year was	2	2

### 5. Debtors

	2013	2012
	£	£
Trade debtors	5 379 254	-
VAT receivable	461,134	-
Due from Member	10,000	-
	5 850 388	-

### 6. Creditors: amounts falling due within one year

	2013	2012
	£	£
Due to parent undertaking	4 338,058	-
Accruals	62,000	-
	4,400,058	-

## Notes to the financial statements

at 31 December 2013

### 7. Members' financial statements

#### Capital account

	<i>Corporate member</i>	<i>Other members</i>	<i>Total</i>
	£	£	£
At 31 December 2013	740,000	10,000	750,000

### 8. Reconciliation of movements in members' total interests

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' other interests</i>	<i>Loans and other debts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 1 January 2013	—	—	—	—	—
Capital introduced	750,000	—	750,000	—	750,000
Profit for allocation among members	—	886,893	886,893	—	886,893
Drawings	—	—	—	—	—
Other movements	—	—	—	4,338,058	4,338,058
At 31 December 2013	750,000	886,893	1,636,893	4,338,058	5,974,951

### 9. Notes to the statement of cash flows

#### (a) Reconciliation of operating profit to net cash flow from operating activities

	<i>2013</i>	<i>2012</i>
	£	£
Operating profit	886,893	—
Increase in debtors	(5,850,388)	—
Increase in creditors	4,400,058	—
Net cash outflow from operating activities	(563,437)	—

#### (b) Analysis of cash flow for headings netted in the statement of cash flows

	<i>2013</i>	<i>2012</i>
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	—	—
<b>Capital expenditure and financial investment</b>		
Capital introduced	750,000	—

## Notes to the financial statements

at 31 December 2013

(c) Reconciliation of net cash

<i>At 1/1/2013</i>	<i>Cash in flow</i>	<i>At 1/12/2013</i>
£	£	£
-	186,563	186,563

### 10. Other financial commitments and contingencies

There are no other financial commitments or contingencies

### 11 Related party transactions

During the period the LLP provided investment advisory services to its ultimate parent undertaking Marathon Asset Management LP of £9,625,670 (2012 -Nil). The amount due from Marathon Asset Management LP at 31 December 2013 and 2012 is disclosed in note 5. In addition, the LLP obtained services from its parent, MCAP Global Finance Limited for £8,738,777 (2012 -Nil). The amount due to MCAP Global Finance Limited at 31 December 2013 and 2012 is disclosed in note 6.

### 12 Intermediate and ultimate parent undertaking

The LLP is a majority-owned subsidiary of MCAP Global Finance Limited which is a wholly-owned subsidiary of Marathon Asset Management LP, incorporated in the United States of America. Marathon Asset Management LP has included the LLP and MCAP Global Finance Limited in its group accounts.

## **Appendix to the financial statements**

at 31 December 2013

### **Unaudited Pillar 3 disclosure - MCap Global Finance (UK) LLP**

#### **Disclosure Policy**

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority ("FCA") MCap Global Finance (UK) LLP ("MCAP") will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made via the Companies House (we will enclose it as an addendum to the Annual Audited Accounts).

MCap may omit information it deems as immaterial in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly where MCap has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then MCap may take the decision to exclude it from the disclosure. In the firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding MCap to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

#### **Introduction**

MCap is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. MCap is categorised by the FCA, for capital purposes, as a limited licence firm. It is an investment management firm; it has no trading book exposures. It is not required to prepare consolidated reporting for prudential purposes.

The FCA's current prudential regime can be split into three "pillars":

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k, quarter of the firm's annual adjusted expenditure (the Fixed Overheads Requirement), or the sum of the firm's prescribed Credit risk + Market risk.
- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.

## Appendix to the financial statements

at 31 December 2013

- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the firm's underlying risks, risk management controls and capital position

The Fixed Overheads Requirement determines the Firm's Capital Resources Requirement

MCap is a limited liability partnership and its capital arrangements are established in its limited liability partnership agreement. Its capital is summarised as follows

	£000's
Partners' capital	750
Revenue reserves	887
	-----
Partners' capital and other reserves	1,637
	=====

The main features of the Firm's Capital Resources Requirement are as follows

Capital Item	£'000s
Tier 1 capital less innovative tier 1 capital	1,673
Total tier 2, innovative tier 1 and tier 3 capital	1,673
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	1,673

### Risk Management

Due to the size, nature, scale and complexity of the MCap, there is no independent risk management function. Senior management of the firm determine the business strategy and risk appetite along with the risk management policies and procedures. An identification of risks to the firm is considered and the firm's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore, MCap then undergoes a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary, MCap would allocate extra capital to the relevant risk as per the Pillar 2 requirement. This has not been deemed necessary. This process is conducted at management meetings which are held on a semi-annual basis and the relevant policies and procedures are updated where necessary.

Senior management has identified operational risk as the main area of risk to which the firm is exposed.

## **Appendix to the financial statements**

**at 31 December 2013**

MCap has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements

### **Unaudited Remuneration disclosure for the 2013 financial year - MCap Global Finance (UK) LLP**

#### **Governance**

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management

The Remuneration Code applies to 'Remuneration Code Staff' ('Code Staff') This includes senior management risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile

MCap Global Finance (UK) LLP ("MCap") has considered the contribution that can be made by a remuneration committee. In order to take a proportionate approach given the size and non-complex nature of both the activities undertaken and the organisation, MCap has decided that the governing body will undertake the role which would otherwise be undertaken by a remuneration committee. This is in line with guidance provided by the FCA for level 3 firms under the Remuneration code. The governing body will be responsible for setting MCap's policy on remuneration

MCap's Remuneration Policy will be reviewed, at least annually by the governing body to ensure that it remains consistent with the Remuneration Code Principles and MCap's objectives. The governing body will use all information available to it in order to carry out its responsibilities under the code, for example, information on risk and financial performance. In addition, the Compliance Officer as part of MCap's regulatory monitoring will include a review of the implementation of this Policy by the firm

#### **Link between pay and performance**

Remuneration at MCap is made up of fixed ('salary') and variable ('bonus') components. Salary is set in line with the market at a level to retain, and when necessary attract, skilled staff

## Appendix to the financial statements

at 31 December 2013

Any bonus paid is designed to both reflect the performance of a person in contributing to the success of the firm and their success in meeting, or exceeding, targets that have been set by the firm on an individual basis

Where remuneration is performance-related then in addition to the performance of the individual MCap will also take into account the performance of the business unit concerned and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with MCap's long term objectives, the assessment of performance will take into account longer-term performance and payment of any such performance related bonuses may need to be spread over more than one year to take account of the firm's business cycle

The measurement of financial performance will be based principally on profits and not on revenue or turnover

Awards will reflect the financial performance of MCap and as such variable remuneration may be contracted where subdued or negative financial performance occurs. MCap will not ordinarily make any variable remuneration awards should the firm make a loss. In exceptional circumstances such payments may need to be considered. In such cases the governing body, in conjunction with the Compliance Officer, will consider and document whether such an award would be in keeping with the Remuneration policy

### Quantitative remuneration information

MCap is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area and by senior management and other Code Staff. The relatively small size and lack of complexity of the firm's business is such that MCap only has the one business area (investment management) and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context

#### Aggregate Remuneration

All Code Staff	£ 1,437,410
Number of Code Staff	4

MCap has not further broken down the disclosure of the remuneration for senior management and for other Code Staff on the basis that the firm's business model is relatively small and non-complex and only has a single senior person that would be required to be disclosed separately. On the basis of data protection principles the firm has chosen to omit the disclosure of the single senior manager's remuneration as it would

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**at 31 December 2013**

be such that an individual's remuneration would be apparent to the general public, and instead the firm has chosen to aggregate his remuneration with those of all Code Staff as set out above

This remuneration disclosure is made under the Basel Pillar 3 framework. Our non-remuneration Pillar 3 disclosures can be found at Companies House

## **Appendix to the financial statements**

at 31 December 2013

### **Unaudited Stewardship Code for the 2013 financial year - MCap Global Finance (UK) LLP**

Conduct of Business Sourcebook rule 2.2.3R, requires MCap Global Finance (UK) LLP ("Firm") to make a public disclosure stating the nature of its commitment to the UK Stewardship Code ("the Code") issued by the Financial Reporting Council. If the Firm does not commit to the Code, it must state in general terms its alternative investment strategy. The Code sets out various principles relating to the level of engagement by investors with UK equity investors.

The Firm's alternative investment strategy is a multi strategy approach covering various jurisdictions and asset classes. This strategy does not have significant investments in UK equities. Therefore, although the Firm supports the objectives set out within the Code, the provisions are not deemed to be relevant to the type of investment strategy and trading currently undertaken by the firm. Should any material changes occur to the strategy which would make the Code relevant, the Firm will amend this disclosure.

The Firm has only one client, Marathon Asset Management LP ("Client"). The Firm does not have a website on which it can post this disclosure statement representing this memorandum. Therefore, this memorandum will be published with the Firm's annual accounts at Companies House.