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OC 347221

MCAP Global Finance (UK) LLP

Report and Financial Statements

31 December 2019

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COMPANIES HOUSE

MCAP Global Finance (UK) LLP

Registered No. OC 347221

Members

MCAP Global Finance Limited
Louis Hanover

Auditors

Ernst & Young LLP
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Canary Wharf
London E14 5EY

Ernst & Young U.S. LLP
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Bankers

HSBC Bank plc
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Solicitors

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One Ropemaker Street
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Registered Office

16 Palace Street,
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UK
SW1E 5JD

MCAP Global Finance (UK) LLP

Registered No. OC 347221

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MCAP Global Finance (UK) LLP

Registered No. OC 347221

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 2019.

Results, distributions and contributions

The results for the year are shown in the profit and loss account on page 10. The members' interests as detailed on page 11 shows a satisfactory position, amounting to £5,420,604 (2018 – £4,893,090).

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 2019 was £527,514 (2018 - £479,970).

Future Developments

Members do not see that the business activity will change.

Members' profit allocation

Any profits are shared among the members as decided by the 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 LLP from continuing as a going concern into the foreseeable future.

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The full extent to which the COVID-19 pandemic may impact Partnership's results, operations or liquidity is uncertain. Members will continue to monitor the impact that the COVID-19 pandemic has on the firm, the asset management industry and the economies in which the firm operates. Members have performed a COVID -19 impact analysis. The details and conclusion from this are provided in Note 1 to the financials statements.

Members' Report (continued)

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.

On the 23 June 2016 the United Kingdom voted to leave the European Union ('Brexit'). In March 2017, the United Kingdom ("UK"), invoked Article 50 of the Treaty on European Union which began the UK's withdrawal from the European Union. The LLP will continue to assess any relevant considerations arising from the terms for withdrawal, as they are established, in the context of its risk management framework.

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 19.

MCAP Global Finance (UK) LLP

Registered No. OC 347221

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

24 April 2020

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.

Legislation applicable to limited liability partnerships (Companies Act 2006 as modified 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 regulation the Designated Members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under these regulations, 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.

The Designated Members confirm that they have complied with the above requirements in preparing the financial statements.

Independent Auditor's Report

to the members of MCAP Global Finance (UK) LLP

Opinion

We have audited the financial statements of MCAP Global Finance (UK) LLP for the year ended 31 December 2019 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Capital, Statement of Cash Flow 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), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Emphasis of Matter - Effects of Covid-19

We draw attention to Notes 1 and 12 of the financial statements, which describes the economic disruption the limited liability partnership is facing as a result of COVID-19, which is impacting financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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 2019 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 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.

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.

Independent Auditors' Report

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

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

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 Designated Members' responsibilities set out on page 6, 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.

Independent Auditors' Report

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

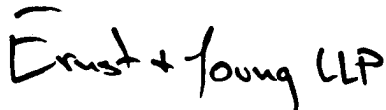
Auditor's responsibilities for the audit of the financial statements

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.

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.



Ahmer Huda (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 April 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Income			
Sub advisory fees	2	11,400,788	12,016,342
Administrative expenses		(10,873,274)	(11,536,372)
Operating profit		<u>527,514</u>	<u>479,970</u>
Profit for year available for discretionary division amongst members		<u><u>527,514</u></u>	<u><u>479,970</u></u>

All amounts arose from continuing operations.

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

MCAP Global Finance (UK) LLP

Registered No. OC 347221

Statement of Financial Position

as at 31 December 2019

		2019	2018
	Notes	£	£
Current assets			
Debtors	5	5,428,217	6,436,176
Cash		55,437	205,539
		5,483,654	6,641,715
Creditors: amounts falling due within one year	6	(63,050)	(1,748,625)
Net current assets		5,420,604	4,893,090
Total assets less current liabilities		5,420,604	4,893,090
Net Assets attributable to members represented by:			
Equity			
Members' capital	7	750,000	750,000
Other reserves/net income		4,670,604	4,143,090
		5,420,604	4,893,090
Total members' interests			
Amounts due to members		(1,002,062)	1,678,174
Members' other interests		5,420,604	4,893,090
Total members' interests		4,418,542	6,571,264

The financial statements on pages 10 to 18 were approved by the managing member on 24 April 2020 and signed on its behalf by:



Louis Hanover
Designated member

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

MCAP Global Finance (UK) LLP

Registered No. OC 347221

Statement of Members' Capital
as at 31 December 2019

	<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 2019	750,000	4,143,000	4,893,090	1,678,174	6,571,264
Profit for allocation among members	-	527,514	527,514	-	527,514
Other movements	-	-	-	(2,680,236)	(2,680,236)
At 31 December 2019	750,000	4,670,604	5,420,604	(1,002,062)	4,418,542

Previous Year

	<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 2018	750,000	3,663,120	4,413,120	7,193,120	11,606,240
Profit for allocation among members	-	479,970	479,970	-	479,970
Other movements	-	-	-	(5,514,946)	(5,514,946)
At 31 December 2018	750,000	4,143,090	4,893,090	1,678,174	6,571,264

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

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019 £	2018 £
Net cash inflow / (outflow) from operating activities	8(a)	(150,102)	162,739
Returns on investments and servicing of finance			
Increase / (decrease) in cash for the year	8(b)	<u>(150,102)</u>	<u>162,739</u>

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

Notes to the Financial Statements

for the year ended 31 December 2019

1. Accounting policies

MCAP Global Finance (UK) LLP is a United Kingdom Limited Liability Partnership. It is both incorporated and domiciled in England and Wales. The address of its registered office is 16 Palace Street, London, SW1E 5JD.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with applicable United Kingdom accounting standards, including FRS 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), Companies Act 2006 as applied to the LLP by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and the requirements of the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, updated on 26 January 2017 and subsequently on 14 December 2018. The LLP is not a financial institution. The financial statements are presented in sterling (GBP), the primary currency of operations of the partnership.

The Members’ Report for the LLP describes the COVID-19 pandemic. Members have performed a COVID -19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The most likely expected financial impact is in respect to Marathon Asset Management LP’s future management fee income as this is calculated based on a percentage of assets under management and this has fallen since the year end due to the impact of Covid-19 on listed global equity and debt markets. It is not possible to quantify the overall impact of Covid-19 as financial markets continue to react to developments and management has a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis members believes that the firm’s regulatory capital requirements will continue to be met and that the firm will have sufficient liquidity to meet its liabilities for the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Expenses

Expenses incurred have been recognised on an accrual basis.

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 allocated from Marathon Asset Management LP and 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.

Financial Instruments

Trade receivables

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Cash

Cash in the Statement of Financial Position comprises of cash at bank. For the purpose of the cash flow statement, cash is stated net of outstanding bank overdrafts.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements

for the year ended 31 December 2019

1. Accounting policies (continued)

Members' profit allocations

Discretionary and non-discretionary profit allocations are recognised when formally approved by the Managing member in accordance with the Partnership Agreement.

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.

Critical accounting estimates and judgments

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Income

	2019	2018
	£	£
Income is comprised as follows:		
Sub advisory fees	11,400,788	12,016,342

All of the income in the year is from the sub advisory service to Marathon Asset Management LP
All income is derived from the United States of America in GBP.

3. Operating profit

This is stated after charging:

	2019	2018
	£	£
Auditors' remuneration:		
Audit services	22,900	22,000
Taxation services	29,900	38,200

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

4. Members' remuneration and allocation of profits

	2019	2018
	£	£
Profit for the year before members' remuneration and profit share	527,514	479,970
Profit for the year available for division among the members	527,514	479,970
Profit allocated in respect of the highest paid member	0	0

The highest percentage holding member was entitled to an allocation of 98.67% (£514,113) but no allocation was made. (2018 - £473,570 and no allocation was made)

	2019	2018
	No.	No.
The average number of members during the year was	2	2

5. Debtors

	2019	2018
	£	£
Amounts due from group undertaking	5,428,217	6,436,176
	5,428,217	6,436,176

6. Creditors: amounts falling due within one year

	2019	2018
	£	£
Due to parent undertaking	0	1,678,174
Accruals	63,050	70,451
	63,050	1,748,625

7. Members' financial statements

Capital account

	Corporate member	Other members	Total
	£	£	£
At 31 December 2019	740,000	10,000	750,000
At 31 December 2018	740,000	10,000	750,000

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

8. Notes to the statement of cash flows

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

	2019	2018
	£	£
Operating profit	527,514	479,970
Decrease/(Increase) in debtors	1,007,959	5,199,804
(Decrease)/Increase in creditors	(1,685,575)	(5,517,035)
Net cash inflow from operating activities	(150,102)	162,739

b) Reconciliation of net cash:

At 1/1/2019	Cash outflow	At 31/12/2019
£	£	£
205,539	(150,102)	55,437
At 1/1/2018	Cash inflow	At 31/12/2018
£	£	£
42,800	162,739	205,539

9. Other financial commitments and contingencies

There are no other financial commitments or contingencies. (2018: Nil)

10. Related party transactions

During the period the LLP provided investment advisory services to its ultimate parent undertaking, Marathon Asset Management LP of £11,400,788 (2018 - £12,016,342). The amount due from Marathon Asset Management LP at 31 December 2019 and 2018 is disclosed in note 5. In addition, the LLP obtained services from its parent, MCAP Global Finance Limited for £10,788,622 (2018 - £11,436,548). The amount due to MCAP Global Finance Limited at 31 December 2019 and 2018 is disclosed in note 6. All transactions are done at arm's length.

11. 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.

Unaudited Appendix to the Financial Statements (continued)

at 31 December 2019

Stewardship Code - MCAP Global Finance (UK) LLP

The Financial Conduct Authority's Conduct of Business Sourcebook, COBS 2.2B SRD requirements and 2.2.3R Disclosure of commitment to the FRC's Stewardship Code, requires MCAP Global Finance (UK) LLP (MCAP) to include a disclosure on its website stating the nature of its commitment to the UK Stewardship Code (the Code) issued by the Financial Reporting Council. The Code sets out various principles relating to the level of engagement by institutional investors with UK listed companies. The Financial Reporting Council recognises that not all parts of the Code will be relevant to all institutional investors and that some institutions may judge some of the principles and guidance to be disproportionate. As MCAP does not commit to the Code, it must state in general terms its alternative investment strategy.

MCAP'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 MCAP 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. Should any material changes occur to the strategy which would make the Code relevant, MCAP will amend this disclosure.

MCAP has only one client, Marathon Asset Management, LP (client). MCAP does not have a website on which it can post this disclosure statement; therefore, this memorandum will be published on the website of Marathon Asset Management, LP.