

# Cross Ocean Adviser LLP

Registered Number: OC400273

Members' Report and Audited Financial Statements

For the year ended 31 December 2020

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**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

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**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Administrative Information**

### **Members**

Cross Ocean (UK) Limited  
C S Zander  
S W Heanly  
A Aitken

### **Independent auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
England

### **Bankers**

RBS International  
7<sup>th</sup> Floor  
1 Princes Street  
London  
EC2R 8BP

### **Registered office**

4<sup>th</sup> Floor  
Reading Bridge House  
George Street  
Reading  
Berkshire  
RG1 8LS  
England

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Members' Report**

The members present their report and the audited financial statements of Cross Ocean Adviser LLP ("the LLP") for the year ended 31 December 2020.

### **Principal activities**

The principal activity of the LLP is the provision of investment advisory services to overseas funds and providing analysis and other services to overseas affiliated companies. The members do not foresee any changes in the nature of this activity going forward. The LLP received authorisation to conduct investment business from the Financial Conduct Authority ("FCA") on 1 February 2017.

### **Review of business**

In the opinion of the members, the results for the year and the state of the LLP's affairs as at 31 December 2020 are satisfactory. The results are in line with the members' expectations.

### **Results for the year and allocations to members**

The LLP's total comprehensive loss for the year after members' remuneration charged as an expense amounted to £1,617,778 (2019: £2,246,910) as shown on page 9. The LLP's Statement of Financial Position, as detailed on page 10, shows a satisfactory position, with total members' equity amounting to £11,649,452 (2019: £13,267,230) and members total interests amounting to £10,713,734 (2019: £12,235,338) as set out on the Statement of Changes in Equity and Members' Interests on page 12.

### **Members**

The members who held office during the year and up to the date of this report were:

Cross Ocean (UK) Limited \*  
C S Zander \*  
S W Heanly \*  
A Aitken\*  
M Berry (resigned 31 December 2021)

\* denotes designated members

### **Members' profit allocation**

Any profits are distributed among the members under the terms of the amended and restated Limited Liability Partnership Agreement dated 7 July 2015, as amended on 28 September 2016.

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

The members participate fully in the LLP's profit, share risks and subscribe to the LLP's capital. There is no opportunity for appreciation of the capital subscribed.

The LLP's drawing policy allows each member to draw a proportion of his share in monthly instalments with the balance of their profits paid after the year end, subject to cash requirements of the LLP.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the LLP relate primarily to market risk, credit risk and liquidity risk, the management of which is detailed in note 3 of the financial statements.

The emergence of the COVID-19 virus has resulted in significant economic and social disruption across the world, further details in relation to this risk are included in Note 2.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Members' Report (continued)**

### **Political and charitable contributions**

The LLP did not make any political or charitable donations or incur any political expenditure during the year (2019: £nil).

### **Going concern**

From January 1, 2020 to date global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. A vaccine was developed and rolled out globally during 2021 which is easing the pressures on medical resources thus allowing governments ease restrictions. Financial markets are responding positively to the changes with an expectation of a full rebound during 2022. The effects of COVID-19 have and may continue to affect the global economy, the economies of certain nations, and individual issuers, all of which may impact the LLP's performance.

Given the unpredictability of the potential impact and efficacy of the vaccine against further strains of COVID-19, the partnership has carefully considered the following factors which may affect the entity's ability to operate under the going concern basis.

In concluding that adequate financial resources will be available to enable the Partnership to discharge its liabilities as and when they fall due, the following have been considered:

- The current level of available cash.
- The impact of COVID-19 on revenue streams for the near future.
- The nature and terms of outstanding liabilities.

As at the date of this report, management has determined that it is unlikely that the pandemic will have a material negative impact on the LLP's revenue streams. The underlying funds either pay management fees on drawn capital or on NAV dependent upon where they are in their fund lifecycle. The forecast for the remainder of the year has been materially revised upwards given the turn in the credit cycle induced by COVID-19 has had a materially positive impact on business. The budget was mainly driven by deployment of investor capital which has been accelerated along with the launch of several new funds that have benefited from the opportunities COVID-19 presented to the credit markets. The launch of these new funds have offset any potential negative impact on funds paying fees on NAVs.

As a result, these financial statements have been prepared on the going concern basis. The members believe that this is appropriate as they have a reasonable expectation that the LLP has adequate resources to meet its liabilities as they fall due for the foreseeable future, being the 12 months following the date of this report.

### **Post balance sheet events**

Subsequent to year end, in December 2021, the LLP acquired the London Debt Fund Management business from Commerzbank AG for a consideration of €8,155,000 (£6,930,000). This acquisition was financed through additional capital contribution from Cross Ocean (UK) Limited.

Subsequent to year end, Russia undertook military actions which led to global sanctions being imposed on it as well as business and individuals providing support to the Russian government. While this has contributed to market uncertainty, the LLP's investment and operating strategy does not expose it to any significant direct or indirect risks from the imposition of the sanctions.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Members' Report (continued)**

### **Disclosure of information to the auditor**

The members who were members of the LLP at the time of approving the members' report are listed on page 1. Each of these members confirms that:

- to the best of each member's knowledge and belief, there is no information relevant to the preparation of their report of which the LLP's auditor is unaware; and
- each member has taken all the steps a member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the LLP's auditor is aware of that information.

### **Independent auditor**

BDO LLP have expressed their willingness to continue in office as independent auditor and will be proposed for re-appointment.

On behalf of the members

DocuSigned by:

  
B6B155A3A54A4C7...  
A Aitken

**Designated member**

16 March 2022

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

**Statement of Members' responsibilities**

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the LLP's financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and the applicable law. Under company law as applied to limited liability partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the financial position and the financial performance of the LLP for that year.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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, in which case there should be supporting assumptions or qualifications as necessary.

The 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 enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They 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 members confirm that they have complied with the above requirements in preparing the financial statements.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CROSS OCEAN ADVISER LLP**

### **Opinion on the 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Cross Ocean Adviser LLP ("the Limited Liability Partnership") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of changes in equity and members' interest and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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

We have nothing to report in this regard.



**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CROSS OCEAN ADVISER LLP (CONTINUED)**

### **Other Companies Act 2006 reporting as applied to limited liability partnerships**

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

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

### **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.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

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

- We obtained an understanding of the legal and regulatory framework applicable to the entity. We determined that the most significant regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006) and Statement of Recommended Practice "Accounting by Limited Liability Partnership" (SORP) issued in December 2018) as well as those resulting from being authorised by the Financial Conduct Authority to undertake regulated activities;
- We inquired of management to identify how the entity is complying with those legal and regulatory frameworks and whether there were any known instances of non-compliance, or any actual, suspected or alleged fraud. We corroborated our enquiries through review of the correspondence with the regulator;
- We assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur and determined the principle risks related to revenue recognition;
- We considered the entity's control environment that has been established to prevent, detect and deter fraud, in particular in relation to the appropriateness of revenue recognition;
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger and financial statements and evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.
- We assessed whether the judgements made in making accounting estimates were indicative of a potential bias; and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CROSS OCEAN ADVISER LLP (CONTINUED)**

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters 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 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.

DocuSigned by:

*Justin Chait*

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Justin Chait (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London

17 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

**Statement of Comprehensive Income**  
**For the year ended 31 December 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Revenue	5	16,473,781	12,433,503
Administrative expenses		(16,775,093)	(13,281,489)
Operating loss	6	<b>(301,312)</b>	<b>(847,986)</b>
Foreign exchange gains		405,285	69,812
Interest receivable	8	-	718
Interest payable and similar costs	9	(120,361)	(114,539)
<b>Loss for the financial year before members' remuneration</b>		<b>(16,388)</b>	<b>(891,995)</b>
Members' remuneration charged as an expense	10	(1,601,390)	(1,354,915)
<b>Loss for the financial year available for discretionary division among members</b>		<b>(1,617,778)</b>	<b>(2,246,910)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the financial year available for discretionary division among members</b>		<b>(1,617,778)</b>	<b>(2,246,910)</b>

All amounts for the current and prior year are derived from continuing activities.

The notes on pages 13 to 29 are an integral part of these financial statements.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

**Statement of Financial Position**  
**As at 31 December 2020**

		<b>2020</b>	<b>2019</b>
<b>Assets</b>	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Non-current assets</b>			
Intangible assets	11	9,312,925	11,372,506
Property, plant and equipment	12	1,321,713	1,624,065
<b>Total non-current assets</b>		<b>10,634,638</b>	<b>12,996,571</b>
<b>Current assets</b>			
Trade and other receivables	13	6,745,622	6,786,955
Derivative financial assets	14	179,151	83,087
Cash and cash equivalents		2,099,747	128,285
<b>Total current assets</b>		<b>9,024,520</b>	<b>6,998,327</b>
<b>Total assets</b>		<b>19,659,158</b>	<b>19,994,898</b>
<b>Capital and reserves</b>			
Members' capital		32,255,192	32,255,192
Other reserves		(20,605,740)	(18,987,962)
<b>Total members' equity</b>		<b>11,649,452</b>	<b>13,267,230</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred bonus scheme	15	1,093,024	807,396
<b>Total non-current liabilities</b>		<b>1,093,024</b>	<b>807,396</b>
<b>Current liabilities</b>			
Trade and other payables	16	6,916,682	5,920,272
<b>Total current liabilities</b>		<b>6,916,682</b>	<b>5,920,272</b>
<b>Total equity and liabilities</b>		<b>19,659,158</b>	<b>19,994,898</b>

The financial statements were approved by the members on 16 March 2022 and signed on their behalf by:

DocuSigned by:



APPROVED AS4A4C7...

**Designated member**

The notes on pages 13 to 29 are an integral part of these financial statements.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

**Statement of Cash Flows**  
**For the year ended 31 December 2020**

		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
	<b>Note</b>		
<b>Cash flow from operating activities</b>			
Loss for the year		(1,617,778)	(2,246,910)
Adjustments for:			
Unrealised movements on provisions		790,029	497,042
Interest receivable		-	(718)
Interest payable and similar costs		120,361	114,539
Increase in derivative financial instruments		(96,064)	(83,087)
Realised loss on forwards settled before year end		646,886	262,379
Members' remuneration charged as an expense		1,601,390	1,354,915
Amortisation	11	2,059,581	2,041,678
Depreciation	12	328,509	324,478
Changes in working capital:			
Decrease in trade and other receivables		41,333	3,563,454
Increase / (decrease) in trade and other payables		1,826,098	(226,269)
Payment of long-term incentive		(311,089)	(162,549)
<b>Net cash inflow from operating activities</b>		<b>5,389,256</b>	<b>5,438,952</b>
<b>Cash flow from investing activities</b>			
Interest received		-	718
Amounts paid in respect of deferred consideration		-	(935,726)
Purchase of property, plant and equipment	12	(26,157)	(20,223)
Purchase of forward contracts during the year		(8,747,236)	(1,614,912)
Settlement of forward contracts during the year		8,100,350	1,352,533
<b>Net cash outflow from investing activities</b>		<b>(673,043)</b>	<b>(1,217,610)</b>
<b>Cash flow from financing activities</b>			
Capital introduced by members		-	908,042
Drawings paid to members		(1,601,390)	(1,354,915)
Principle payment on lease liability		(252,140)	(242,587)
Interest paid		(36,018)	(303,951)
Other transactions with members		-	-
<b>Net cash outflow from financing activities</b>		<b>(1,889,548)</b>	<b>(993,411)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,826,665</b>	<b>3,227,931</b>
Cash and cash equivalents at beginning of the year		(726,918)	(3,954,849)
<b>Cash and cash equivalents at the end of the year</b>		<b>2,099,747</b>	<b>(726,918)</b>

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following balances:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash at bank	2,099,747	128,285
Bank overdraft	-	(855,203)
<b>Net cash and cash equivalents</b>	<b>2,099,747</b>	<b>(726,918)</b>

The LLP has secured overdraft facilities totalling £1,500,000 (2019: £1,500,000) as at year end. The LLP's bankers hold a fixed and floating charge of the LLP's current and future tangible and intangible assets as security for the facility. The balance of the facility utilised at the year-end amounted to £nil (2019: £855,203).

The notes on pages 13 to 29 are an integral part of these financial statements.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

**Statement of Changes in Equity and Members' Interests**  
**For the year ended 31 December 2020**

	Members' capital (classified as equity) £	Other reserves £	Amounts due to members £	Total members' interest £
<b>Balance at 1 January 2019</b>	<b>31,347,150</b>	<b>(16,741,052)</b>	<b>(4,454,958)</b>	<b>10,151,140</b>
Member's remuneration charged as an expense	-	-	1,354,915	1,354,915
Loss for the financial year	-	(2,246,910)	-	(2,246,910)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(18,987,962)</b>	<b>(3,100,043)</b>	<b>9,259,145</b>
<b>Contributions by and distributions to members</b>				
Capital introduced by members	908,042	-	-	908,042
Distributions to members	-	-	(1,354,915)	(1,354,915)
Changes to deferred compensation	-	-	(872,759)	(872,759)
Other transactions with members	-	-	4,295,825	4,295,825
<b>Balance at 1 January 2020</b>	<b>32,255,192</b>	<b>(18,987,962)</b>	<b>(1,031,892)</b>	<b>12,235,338</b>
Member's remuneration charged as an expense	-	-	1,601,390	1,601,390
Loss for the financial year	-	(1,617,778)	-	(1,617,778)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(20,605,740)</b>	<b>569,498</b>	<b>12,218,950</b>
<b>Contributions by and distributions to members</b>				
Distributions to members	-	-	(1,601,390)	(1,601,390)
Changes to deferred compensation	-	-	209,188	209,188
Other transactions with members	-	-	(113,014)	(113,014)
<b>Balance as at 31 December 2020</b>	<b>32,255,192</b>	<b>(20,605,740)</b>	<b>(935,718)</b>	<b>10,713,734</b>
Amounts due to members			911,143	
Amounts due from members			(1,846,861)	

The notes on pages 13 to 29 are an integral part of these financial statements.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Notes to the Financial Statements**

### **1 General information**

Cross Ocean Adviser LLP (the 'LLP') is a limited liability partnership, incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, Reading Bridge House, George Street, Reading, RG1 8LS and its principal place of business is 11 Charles II Street, London, SW1Y 4QU.

The LLP provides investment advisory services.

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below:

#### **2.1 Statement of compliance**

These financial statements have been prepared and approved by the members in accordance with International Financial Reporting Standard in conformity with the requirements of the Companies Act 2006

#### **2.2 Basis of presentation**

The financial statements have been prepared under a going concern basis and the historical cost convention, except financial instruments which were recognised at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the LLP's accounting policies.

Any changes to assumptions may have a significant impact on the financial statements for the year over which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the LLP's financial statements, therefore, present its financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### **Going concern**

From January 1, 2020 to date global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. A vaccine was developed and rolled out globally during 2021 which is easing the pressures on medical resources thus allowing governments to ease restrictions. Financial markets are responding positively to the changes with an expectation of a full rebound during 2022. The effects of COVID-19 have and may continue to affect the global economy, the economies of certain nations, and individual issuers, all of which may impact the LLP's performance.

Given the unpredictability of the potential impact and efficacy of the vaccine against further strains of COVID-19, the partnership has carefully considered the following factors which may affect the entity's ability to operate under the going concern basis.

In concluding that adequate financial resources will be available to enable the Partnership to discharge its liabilities as and when they fall due, the following have been considered:

- The current level of available cash.
- The impact of COVID-19 on revenue streams for the near future.
- The nature and terms of outstanding liabilities.

**Cross Ocean Adviser LLP**  
**Company number OC400273**  
**for the year ended 31 December 2020**

## **Notes to the Financial Statements (continued)**

### **2.2 Basis of presentation (continued)**

#### **Going concern (continued)**

As at the date of this report, management has determined that it is unlikely that the pandemic will have a material negative impact on the LLP's revenue streams. The underlying funds either pay management fees on drawn capital or on NAV dependent upon where they are in their fund lifecycle. The forecast for the remainder of the year has been materially revised upwards given the turn in the credit cycle induced by COVID-19 has had a materially positive impact on business. The budget was mainly driven by deployment of investor capital which has been accelerated along with the launch of several new funds that have benefited from the opportunities COVID-19 presented to the credit markets. The launch of these new funds have offset any potential negative impact on funds paying fees on NAVs.

As a result, these financial statements have been prepared on the going concern basis. The members believe that this is appropriate as they have a reasonable expectation that the LLP has adequate resources to meet its liabilities as they fall due for the foreseeable future, being the 12 months following the date of this report.

#### **Standards, amendments and interpretations effective on or after 1 January 2020**

The following standards, interpretations and amendments are not expected to have a significant impact on the financial position or performance of the LLP:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to the definition of a business in IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)
- Amendments to the definition of material in IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020)
- Amendments to interest rate benchmark reform in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2020)

The LLP did not adopt new or amended standards in the year that have yet to become effective.

#### **Standards issued but not yet effective**

IFRS 17	Insurance Contracts	Effective 1 January 2023
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## **Notes to the Financial Statements (continued)**

### **2.2 Basis of presentation (continued)**

#### **Amendments to standards issued but not yet effective**

IAS 1	Presentation of Financial Statements	Effective 1 January 2023
IFRS 3	Business Combinations	Effective 1 January 2022
IFRS 4	Insurance Contracts	Effective 1 January 2021
IFRS 7	Financial Instruments: Disclosures	Effective 1 January 2021
IAS 8	Accounting policies: Changes in Accounting Estimates and Errors	Effective 1 January 2023
IFRS 9	Financial Instruments Benchmark reform issues Derecognition of financial liabilities	Effective 1 January 2021 Effective 1 January 2022
IAS 16	Property, Plant and Equipment	Effective 1 January 2022
IFRS 16	Leases Covid-19-Related Rent Concessions Interest rate benchmark reform issues	Effective 1 June 2020 Effective 1 January 2021
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Effective 1 January 2022
IAS 39	Financial Instruments: Recognition and Measurement	Effective 1 January 2021

The impact of these standards are not expected to be material to the reported results and financial position of the LLP and there are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the LLP.

### **2.3 Foreign currency translation**

#### **Functional and presentational currency**

Items included in the financial statements of the LLP are measured in Pound Sterling, being the currency of the primary economic environment in which the LLP operates (the functional currency). The majority of the LLP's expenses are incurred in Pound Sterling. The financial statements are presented in Pound Sterling.

#### **Transactions and balances**

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and are translated into the functional currency using the exchange rates prevailing at the dates of the relevant transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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## **Notes to the Financial Statements (continued)**

### **2.4 Foreign currency translation (continued)**

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

### **2.4 Financial assets and liabilities**

#### **2.4.1 Financial assets**

##### **Financial assets at fair value through profit or loss**

Financial assets are classified into the following categories according to IFRS 9; financial assets 'at fair value through profit or loss' ("FVTPL") and 'amortised cost'. The classification depends on the nature and purpose of the financial assets.

A financial asset is classified as fair value through the profit or loss if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as fair value through the profit or loss unless they are designated and effective as hedging instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

##### **Financial assets held at amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ('SPPI'), other than those that the LLP upon initial recognition designates as at fair value through profit or loss, are classified as amortised cost. These include trade and other receivables and cash balances as at the year-end.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. *Interest income or expense arising from the assets held at amortised cost are taken to the consolidated income statement under 'Interest and similar income'.*

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated income statement as 'Impairment allowance of financial assets held at amortised cost'.

#### **2.4.2 Financial liabilities**

Financial liabilities are classified into the following categories according to IFRS 9; financial liabilities 'at fair value through profit or loss' ("FVTPL") and 'amortised cost'.

##### **Financial liabilities measured at amortised cost**

Financial liabilities measured at amortised cost comprise borrowings, trade creditors and other liabilities.

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## **Notes to the Financial Statements (continued)**

### **2.5.2 Financial Liabilities (continued)**

#### **Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations, where this represents an executable price.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and where those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

### **2.5 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents revenue earned under contract to provide investment advisory services, stated net of discounts and value added taxes. The LLP recognises revenue when the amount of revenue can be reliably measured, when the LLP's right to receive the revenue has been established; and when it is probable that future economic benefits will flow to the entity.

### **2.6 Administrative expenses**

Administrative expenses are measured at the fair value of the consideration paid, or payable, stated net of discounts and value added taxes. Administrative expenses are recognised on an accruals basis.

### **2.7 Leases**

Leases are accounted for in accordance with IFRS 16 'Leases'. From 1 January 2019, leases are recognised as a right-of-use asset with a corresponding liability, at the point at which the leased asset is available for use by the LLP.

When the LLP enters into a new contract or an existing contract is amended, an assessment as to whether the contract contains a lease is undertaken. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the LLP assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly; and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The LLP has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The LLP has the right to direct the use of the asset. The LLP has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the LLP has the right to direct the use of the asset if either;
- The LLP has the right to operate the asset; or
- The LLP designed the asset in a way that predetermines how and for what purpose it will be used.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial value of any right to use assets includes the value of the lease liability payments made at or before the lease commencement date, less any lease incentives received, any initial direct costs associated with the lease and an estimate of the cost of ending the lease including removing the asset or returning the asset to a condition required by the terms and conditions of the lease.

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## **Notes to the Financial Statements (continued)**

### **2.8 Leases (continued)**

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments, that have not been paid at the commencement date, less any lease incentives receivable and are discounted using the interest rate implicit on the lease. If this rate cannot be readily determined, which is generally the case for the lessee, the incremental borrowing rate is used, being the rate that the LLP would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The carrying amount of the lease liability will be subsequently increased to reflect the interest charged on the lease liability and will be reduced by the cash lease payments made.

The LLP has opted to present right of use assets within the tangible fixed assets note (note 12). The lease liability is presented within trade and other payables (note 16).

### **2.9 Employee benefits**

Short term employee benefits are recognised on an accruals basis in the year that the employment services are received. Long term employee benefits are recognised when a constructive obligation arises from past service and is measured based on the present value of the benefit payable. Where the long term compensation relates to future service then the amount of the benefit is recognised evenly over the year until the amount become payable.

### **2.10 Pensions**

Contributions to defined contribution schemes are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

### **2.11 Interest receivable**

Interest receivable is recognised on a time-proportionate basis using the effective interest method. It includes interest receivable from cash and cash equivalents.

### **2.12 Interest payable**

Interest payable is recognised in the statement of comprehensive income using the effective interest method.

### **2.13 Members' remuneration charged as an expense**

Non-discretionary remuneration payable to members is charged to the Statement of Comprehensive Income as an expense on an accruals basis.

### **2.14 Taxation**

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any taxation liabilities arising out of their interest in the LLP. Taxation is assessed on the individual members and not on the LLP.

### **2.15 Intangible assets**

Intangible assets, including those acquired as part of a business combination, are stated at acquisition cost less accumulated amortisation. The carrying value is reviewed for impairment on an annual basis unless events or changes in circumstances indicate that the carrying value may not be recoverable, in which case the intangible assets are reviewed for impairment on a more frequent basis.

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## **Notes to the Financial Statements (continued)**

### **2.16 Intangible assets (continued)**

The amortisation of intangible assets is recognised in administrative expenses in the Statement of Comprehensive Income and is calculated to write off the cost or valuation of the intangible asset less any residual value over their estimated useful lives as follows:

Investment advisory contract	-	10 years on a straight line basis
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Residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

### **2.16 Property, plant and equipment**

Property, plant and equipment is recorded at historical cost less accumulated depreciation and impairment losses, if any.

Depreciation, which is included in administrative expenses on the statement of comprehensive income, is provided on all property, plant and equipment at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold Property	Over the term of the lease
Office Equipment	3 years
Furniture & Fittings	3 years

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each year end.

### **2.17 Impairment**

At each Statement of Financial Position date, the LLP reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the LLP estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

### **2.18 Trade and other receivables**

The LLP applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs. The impairment assessment has been made on a simplified approach basis and did not have a material impact on the financial assets of the LLP. The expected loss rates were assessed based on the LLP's historical credit losses experienced over the prior year to the current year end. The impact to the LLP will only be in relation to the impairment of trade and other receivables. To measure expected credit losses trade receivables are grouped based on similar risk characteristics and aging. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the LLP's customers.

**Cross Ocean Adviser LLP**  
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## **Notes to the Financial Statements (continued)**

### **2.19 Cash and cash equivalents**

For the purpose of the statement of cash flow, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.20 Members' capital**

Members' capital that is not automatically repayable on retirement is classified as equity. Members' capital that is automatically repayable on retirement is classified as a liability. Members' capital, whether classified as equity or a liability, is not interest bearing.

### **2.21 Members' profit allocations**

A member's discretionary share in the profit or loss for the year is accounted for as an allocation of profits or losses. Any unallocated profit and losses are distributed to members in the following accounting year.

Amounts due to members in respect of equity participation rights, following a discretionary division of profits, are debited to equity and credited to members' current accounts in the year when the allocation occurs. Unallocated profits and losses are included within 'other reserves' and are included in members' equity. Any drawings paid in respect of those unallocated profits are included within debtors.

### **2.22 Trade and other payables**

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest and are recognised on an accruals basis and held at amortised cost.

## **3 Financial risk management**

The LLP's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk, price risk and interest rate risk. The LLP's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the LLP's financial performance.

### **3.1 Market risk**

The LLP's activities potentially expose it to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, and foreign currency risk, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates.

#### **3.1.1 Foreign exchange risk**

The LLP operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Had the value of Pound Sterling weakened by 10% at the Statement of Financial Position date then the loss for the year would have been £1,913,696 (2019: £1,855,640). Were the value of Pound Sterling to strengthen by 10% at the Statement of Financial Position date then the loss for the year would have been £1,321,860 (2019: £2,638,179).

The LLP manages this risk exposure through forward currency contracts.

#### **3.1.2 Price risk**

The LLP does not actively trade in markets and therefore is not exposed to either commodity price or equity price risks.

#### **3.1.3 Interest rate risk**

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs or reduced income from the LLP's interest bearing financial assets and liabilities. The interest rate risk arising on interest income is immaterial and the LLP does not currently consider it necessary to actively manage interest rate risk.

**Cross Ocean Adviser LLP**  
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**Notes to the Financial Statements (continued)**

**3. Financial risk management (continued)**

**3.2 Credit risk**

Credit risk is the risk of suffering financial loss should the LLP's customers, clients or counterparties fail to fulfil their contractual obligations to the LLP. The LLP's core business is primarily of investment management services. As a result, the LLP is not exposed to any material third party credit risk as the majority of receivables are due from the entities it advises which are related parties.

The carrying value of financial assets approximates their fair value.

	2020	2020	2019	2019
	Gross	Expected	Gross	Expected
	carrying value	credit losses	carrying value	credit losses
	£	£	£	£
Contract receivables	90,606	-	674,535	-
Contract assets	4,067,789	-	2,830,512	-
Amounts due from related undertakings	33,000	-	886,410	-
Other receivables	535,776	-	547,061	-
Net cash and cash equivalents	2,099,747	-	128,285	-
	<b>6,826,918</b>	<b>-</b>	<b>5,066,803</b>	<b>-</b>

The LLP seeks to limit the level of credit risk on the cash and cash equivalent balances by only depositing funds with counterparties with high credit ratings. Bank accounts are held with Royal Bank of Scotland International Limited, which has a credit rating of BBB/ A2 at the date of approval of these financial statements.

The LLP reviews the carrying value of financial assets recognised at amortised cost on a regular basis and while there are events that would result in expected credit losses, such as a closure of fund entities, these events are considered to be highly unlikely and as a result no provision has been made for any expected credit losses.

**3.3 Liquidity risk**

Liquidity risk is the risk that the LLP is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management is achieved by maintaining sufficient cash balance and the availability of funding through an adequate amount of committed credit facilities.

The table below presents the cash flows payable by the LLP by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The carrying values of financial liabilities approximates their fair values:

	Up to 3 months	3 to 12 months	12 to 24 months	Over 24 months	Total	Total after applying discount
	£	£	£	£	£	£
<b>As at 31 December 2020</b>						
Trade payables	206,253	-	-	-	206,253	206,253
Amounts due to related undertaking	863,080	-	-	-	863,080	863,080
Amounts due to members	633,865	98,511	98,717	102,916	934,009	911,143
Pension contributions payable	650	-	-	-	650	650
Social security and other taxes	43,036	-	-	-	43,036	43,036
Deferred bonus scheme	323,373	-	416,648	542,839	1,282,860	1,215,125
Accruals and contract liabilities	3,374,558	-	-	-	3,374,558	3,374,558
Lease liability	164,635	246,953	329,270	823,175	1,564,033	1,395,861
	<b>5,609,450</b>	<b>345,464</b>	<b>844,635</b>	<b>1,468,930</b>	<b>8,268,479</b>	<b>8,009,706</b>

**Cross Ocean Adviser LLP**  
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## **Notes to the Financial Statements (continued)**

### **3. Financial risk management (continued)**

#### **3.4 Capital risk management**

The LLP's objectives when managing capital are to safeguard the LLP's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### **4 Critical accounting estimates and judgments**

The LLP's financial statements are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements.

The LLP determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. The application of accounting policies and management's judgements for certain items are especially critical for the LLP's results and financial situation due to their materiality.

#### **4.1 Fair value of financial instruments**

A number of assets and liabilities included in the LLP's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the LLP's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The LLP measures forward contracts at fair value.

Foreign exchange forward contracts are marked to market at 31 December 2020.

The table in note 14 summarises the LLP's fair value hierarchy and compares the carrying value of financial instruments and fair value at 31 December 2020.



**Cross Ocean Adviser LLP**  
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**Notes to the Financial Statements (continued)**

**4 Critical accounting estimates and judgments (continued)**

**4.2 Impairment of intangible assets**

The members have reviewed revenue and cash flow forecasts in respect of the business and are confident that there are no indications of impairment. Assumptions used in performing assessments are as following:

- 8% growth in NAV p.a. this is in ratio as per fund expectations and PPMs.
- Discount rate of 5%.
- Assumptions are that these are based upon existing and marketed funds for 2020. These may change if new funds are onboarded during this period.
- Harvest of funds is as per originally agreed schedule.

**5 Revenue**

Revenue is wholly attributable to the provision of investment advisory services during the year and arising from continuing activities in the UK. Income in the year arose from the supply of services to the following locations:

	2020	2019
	£	£
Cayman Islands	16,272,301	11,406,453
United States of America	201,480	1,027,050
	<u>16,473,781</u>	<u>12,433,503</u>

**6 Operating profit/(loss)**

The operating profit /(loss) is stated after charging:

	2020	2019
	£	£
Amortisation	2,059,581	2,041,677
Depreciation of property, plant and equipment	328,509	324,478
Interest on operating leases	74,113	89,966
System and IT costs	257,520	270,512
Consulting and professional fees	442,363	783,607
Employee costs	6,385,196	5,663,047
Rechargeable costs	5,089,363	3,615,578
Fees paid to the LLP's auditors' for:		
- the audit of these financial statements	<u>40,000</u>	<u>20,688</u>

**Cross Ocean Adviser LLP**  
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**Notes to the Financial Statements (continued)**

**7 Staff costs and employees**

	2020	2019
	£	£
Employee costs:		
Short-term employee benefits – wages and salaries	4,863,532	4,130,886
Short-term employee benefits – social security costs	595,845	603,192
Post-employment benefits	306,498	300,985
Long-term employee benefits – wages and salaries	539,263	368,065
Long-term employee benefits – social security costs	80,058	259,919
<b>Total staff costs</b>	<b>6,385,196</b>	<b>5,663,047</b>
The average number of employees during the year	<b>18</b>	<b>18</b>

**8 Interest receivable**

	2020	2019
	£	£
Interest receivable	-	718

**9 Interest payable**

	2020	2019
	£	£
Finance costs	84,343	16,319
Other interest paid	-	17,026
Bank interest paid	36,018	81,194
	<b>120,361</b>	<b>114,539</b>

**10 Members remuneration**

	2020	2019
	£	£
Members' remuneration charged as an expense	1,601,390	1,354,915
The average number of members during the year	5	5

**Cross Ocean Adviser LLP**  
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**Notes to the Financial Statements (continued)**

**11 Intangible Assets**

	Intangible assets £
<b>Cost:</b>	
At 1 January 2020	19,527,962
At 31 December 2020	<u>19,527,962</u>
<b>Amortisation:</b>	
At 1 January 2020	8,155,456
Charge for the year	<u>2,059,581</u>
At 31 December 2020	<u>10,215,037</u>
<b>Net book value:</b>	
At 31 December 2020	<u>9,312,925</u>
At 31 December 2019	<u>11,372,506</u>

The intangible asset was acquired on the establishment of the business, and includes deferred compensation costs, as discussed in note 15.

**12 Property, plant and equipment**

	Right of use asset £	Leasehold Improvement £	Office Equipment £	Furniture and fixtures £	Total £
<b>Cost:</b>					
At 1 January 2019	1,816,475	203,220	220,879	137,690	2,378,264
Additions	-	-	26,157	-	26,157
At 31 December 2019	<u>1,816,475</u>	<u>203,220</u>	<u>247,036</u>	<u>137,690</u>	<u>2,404,421</u>
<b>Depreciation:</b>					
At 1 January 2020	254,538	178,748	191,454	129,459	754,199
Charge for the year	<u>277,677</u>	<u>24,394</u>	<u>18,675</u>	<u>7,763</u>	<u>328,509</u>
At 31 December 2020	<u>532,215</u>	<u>203,142</u>	<u>210,129</u>	<u>137,222</u>	<u>1,082,708</u>
<b>Net book value:</b>					
At 31 December 2020	<u>1,284,260</u>	<u>78</u>	<u>36,907</u>	<u>468</u>	<u>1,321,713</u>
At 31 December 2019	<u>1,561,937</u>	<u>24,472</u>	<u>29,425</u>	<u>8,231</u>	<u>1,624,065</u>

**Cross Ocean Adviser LLP**  
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**Notes to the Financial Statements (continued)**

**13 Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Amounts receivable from contracts with customers:		
Contract receivables	90,606	674,535
Contract assets	4,067,789	2,830,512
Amounts due from related undertakings	33,000	886,410
Amounts due from members	1,846,861	1,704,805
Other receivables	535,776	547,060
Prepayments	171,590	143,633
	<b>6,745,622</b>	<b>6,786,955</b>

**14 Derivative financial instruments**

In order to mitigate currency risk, the LLP holds forward foreign exchange contracts.

	<b>Fair market value of derivative instruments £</b>
At 1 January 2020	83,087
Movement during the year	96,064
At 31 December 2020	<b>179,151</b>
At 1 January 2019	-
Movement during the year	83,087
At 31 December 2019	<b>83,087</b>

Fair value hierarchy comparing the carrying value of financial instruments with fair value as at 31 December 2020.

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Financial assets</b>				
Derivative financial assets	-	179,151	-	<b>179,151</b>
<b>Total financial assets</b>	<b>-</b>	<b>179,151</b>	<b>-</b>	<b>179,151</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Notes to the Financial Statements (continued)**

**14 Derivative financial instruments (continued)**

**2019**

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Derivative financial assets	-	83,087	-	<b>83,087</b>
<b>Total financial assets</b>	-	<b>83,087</b>	-	<b>83,087</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-

**Financial instruments in level 2**

Financial instruments classified in level 2 relate to foreign exchange forward contracts which are marked to market at 31 December 2020.

**15 Deferred bonus scheme**

	Long term incentive		Deferred remuneration		Total	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
At 1 January	1,115,624	860,078	228,263	1,085,042	1,343,887	1,945,120
Provision for the financial year	782,821	418,073	-	48,274	782,821	466,347
Liability settled within financial year	(311,089)	(162,527)	-	(935,748)	(311,089)	(1,098,275)
Exchange and other movements	-	-	7,208	30,695	7,208	30,695
	<u>1,587,356</u>	<u>1,115,624</u>	<u>235,471</u>	<u>228,263</u>	<u>1,822,827</u>	<u>1,343,887</u>
Discounting value	(90,601)	(184,062)	-	(5,350)	(90,601)	(189,412)
<b>Fair value of defined benefit at 31 December</b>	<b><u>1,496,755</u></b>	<b><u>931,562</u></b>	<b><u>235,471</u></b>	<b><u>222,913</u></b>	<b><u>1,732,226</u></b>	<b><u>1,154,475</u></b>
Within one year					639,202	347,079
After one year					1,093,024	807,396
At 31 December 2020					<u>1,732,226</u>	<u>1,154,475</u>

The LLP operates a deferred cash award bonus scheme. These are granted as a form of incentive compensation to certain employees so that they have a right to receive a cash payment spread over a 3 year period with the amounts received being linked to the performance of the funds managed by the LLP. The payment of the consideration is related to the retention of the employees over the 3 year period. The total amount anticipated to be paid between 2021 and 2024 amounts to £1,431,789 (2019: £980,337) plus associated national insurance of £155,567 (2019: £135,287) and has been included in staff costs disclosed in note 7.

The fair value of the long-term incentive includes a return of 4.54% pa (2019: nil) based on the historical returns of the underlying funds and is discounted based on yield of 2.43% (2019: 2.42%), based on an investment grade corporate bond, and the attrition rate of 5.28% (2019: 13.7%) which is based on employee turnover numbers observed in the financial services section of the UK economy.

The provision for deferred remuneration payable is in respect of the acquisition of the intangible asset disclosed in note 11. A total of £517,101, (2019: £222,913) in respect of deferred remuneration and long term incentives payable to members of the LLP, is included in amounts due to members on page 12.

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**Notes to the Financial Statements (continued)**

**16 Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank overdraft	-	855,203
Trade payables	206,253	150,521
Amounts due to related undertakings	863,080	-
Amounts due to members	394,042	365,000
Pension contributions payable	650	26,379
Deferred Bonus Scheme	639,202	347,079
Social security and other taxes	43,036	130,187
Other payables	-	62,079
Accruals and contract liabilities	3,374,558	2,409,936
Lease Liability	1,395,861	1,573,888
	<u>6,916,682</u>	<u>5,920,272</u>

Trade and other payables are measured at amortised cost. The carrying value is consistent with fair value.

**17 Related parties**

Cross Ocean (UK) Limited, a company registered in England and Wales, is the corporate member of the LLP. The LLP has provided funding to Cross Ocean (UK) Limited during the year of £149,842 (2019: LLP received from Cross Ocean (UK) Limited £4,925,826). At the year-end, an amount of £1,846,861 was receivable by the LLP (2019: £1,697,019). The balance is interest free, repayable on demand and disclosed in note 13.

Cross Ocean Partners Management LP, an entity registered in the United States of America, is an entity under common control. During the year, the LLP recharged costs of £201,480 (2019: £154,000) to Cross Ocean Partners Management LP, for management and business services provided by the LLP. At year-end, a net amount of £863,080 (2019: £918,846) owed to the LLP. The balance is interest free and repayable on demand and disclosed in note 16.

Cross Ocean UK I LP, an entity registered in the Cayman Islands, is an entity under common control. At year-end, an amount of £33,000 (2019: £33,000) was payable to the LLP. The balance is interest free and repayable on demand and disclosed in note 13.

**Key management personnel**

The members are considered to have sole responsibility for the planning, directing and controlling of the activities of the LLP. No other employees are considered to meet this definition of key management personnel. The aggregate remuneration paid to key management personnel is disclosed in note 10.

The LLP has a deferred compensation program which stems from its formation and the transfer of personnel across to it. As at 31 December 2020, management's best estimate of the minimum commitment is £235,471 (2019: £222,913), which is payable on demand, subject to cash flow requirements of the Company (2019: 8 month period to 1 August 2019 in correlation with the liquidation of the ESS Fund I).

Key management personnel also participate in the LLP's long term incentive scheme. As at 31 December 2020, management's best estimate of the minimum commitment is £281,630 (2019: £253,966), which is settled in annual payments over a three year period (2019: 3 year period).

**18 Ultimate controlling party**

Cross Ocean (UK) Limited, a corporate member of the LLP, is the immediate parent undertaking. It has included the LLP in its group financial statements, copies of which are available at the registered office.

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## **Notes to the Financial Statements (continued)**

G Goldsmith is considered to be the ultimate controlling party.

### **19 Post balance sheet events**

In December 2021, the LLP acquired the London Debt Fund Management business from Commerzbank AG for a consideration of €8,155,000 (£6,930,000). This acquisition was financed through additional capital contribution from Cross Ocean (UK) Limited.

Subsequent to year end, Russia undertook military actions which led to global sanctions being imposed on it as well as business and individuals providing support to the Russian government. While this has contributed to market uncertainty, the LLP's investment and operating strategy does not expose it to any significant direct or indirect risks from the imposition of the sanctions.

### **20 Approval of financial statements**

The financial statements were authorised for issue by the members on 16 March 2022.