Registered number
4788155

CAIRN CAPITAL GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

CAIRN CAPITAL GROUP LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
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CAIRN CAPITAL GROUP LIMITED
Strategic Report

The Directors present their Strategic Report, their Directors' Report and the audited consolidated financial statements of Cairn Capital Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

Principal Activity
The Group is a specialist asset manager and investment advisor within the credit markets and provides investment management services and investment advisory services to a broad range of clients.

Business Review

On 31 December 2015 Mediobanca-Banca di Credito Finanziario S.p.A. ("Mediobanca") acquired a 51% stake in the Company.

The turnover for the year decreased to £13,490,933 from £20,498,750 in 2014.

The decrease in revenues was mainly attributable to challenging market conditions putting pressure on management and performance fees, and longer than expected lead times for new mandates. In addition it has taken time to firmly establish and build up a track record in the new multi-asset credit strategy adopted towards the end of 2014, the benefits of which are expected to start coming through in 2016.

In January 2015, after a period of negative performance, the Oyster Fund closed.

The seed institutional investor in Cairn Credit Focus Fund, an ERISA plan asset fund, had a change of investment team who had been steadily reducing credit exposure in Europe. This, coupled with their desire to find a European manager who could manage both credit and equity exposure, meant that they decided to fully redeem from the fund and it closed at the end of February 2015.

Owing to revenue recognition accounting rules certain performance fees on a number of funds and managed accounts have not been recognised as income in the accounts at 31 December 2015. Such fees do not crystallise until after the balance sheet date and, in accordance with the stated accounting policy, cannot be recognised until such time that they are fully earned. Any adverse performance in 2016 and, where applicable, subsequent periods might erode the value of the performance fees. The value of such fees at 31 December 2015 amounts to £0 (2014: £1,035,310).

The following funds managed by the Group reported the following performance returns in 2015:

Cairn Special Opportunities Credit Fund	-3.3%	(2014: +2.3%)
Cairn Strata Credit Fund	+0.7%	(2014: N/A)
Cairn S Multi Asset Credit Fund	+2.4%	(2014: +0.4%)

2015 was another challenging year for the Group's real estate advisory team, with no revenue earned against the backdrop of a volatile market.

Overall 2015 proved to be a challenging year with testing market conditions impacting all areas of the business. However, with the majority acquisition of the Company, by Mediobanca on 31 December 2015, the Group goes into 2016 with a line of seed capital behind it, from which it can look to launch new products in 2016 to help grow AUM and revenue and build on existing capabilities.

One example of the use of this seed capital line is the Cairn European Commercial Mortgage Fund which was launched in February 2016 and which seeks to capitalise on the Company's strengths in the real estate and asset management sectors.

CAIRN CAPITAL GROUP LIMITED
Strategic Report

Business Review *(continued)*

The Group uses a number of financial performance measures to monitor the performance of the business against budget throughout the year. Key performance indicators are measured and reported to management on a monthly basis and are shown below:

	2015 £'000	2014 £'000
Turnover	13,491	20,499
(Loss)/Profit before tax	(4,459)	1,820
Operating margin (%)	n/a	8.9%

The Group also measures its performance by reference to its Assets under Management and Long Term Advice ("AUM&A"). At both 31 December 2014 and 31 December 2015 the Group's total AUM&A was $13.8bn, although there was a change in composition. Assets under Advice increased by $1.9bn, whilst Legacy AUM decreased by $1.0bn. Leveraged Loans discretionary AUM decreased by $0.7bn as older CLOs begin to be called/refinanced and any new CLOs launched are managed by Cairn Loan Investments LLP, a limited liability partnership that was set up by Cairn Capital Group Limited but which is majority owned by third party investors.

The AUM&A attributable to funds and managed accounts reduced slight during the year from $1.0bn to $0.9bn as a result of fund closures mentioned above; partially offset by new inflows into existing funds.

In addition a number of non-financial performance measures are used by the board to monitor the activities of the Group. These include:
- fund management performance;
- investment risk; and
- compliance and regulatory issues.

Risk Management
The Group is exposed to a range of risks arising from its operations, the wider business environment and the regulatory framework.

The Group's overall business risk strategy and appetite and the control environment are recommended by the Executive Management Committee ("EMC") to the Directors. The Directors in turn, review the proposal, amend where necessary and delegate to the EMC the implementation of the risk strategy.

Risk appetite can be defined as the amount of risk that an organisation is prepared to accept in order to achieve its business plan. In this context the Group has a relatively low risk appetite, seeking wherever possible to reduce its risk while remaining well placed to achieve its objectives.

Risk appetite forms the basis for the firm's strategic direction and investing decisions, and is communicated by the EMC to the relevant business heads. The Group's risk appetite can and does vary; levels of risk acceptable to the funds it manages would not be acceptable to the management of the Group itself. In addition, activities likely to adversely affect the Group's reputation are not tolerated, and the extent of risks to be tolerated is largely determined by an assessment of the potential rewards.

Risk Management *(continued)*

The Group has a dedicated risk department headed by the Chief Risk Officer who has responsibility for the oversight of risk processes associated with investment management. Other business groups contribute to the operational effectiveness of the Group and the maintenance of an effective control environment designed to mitigate exposure to identified risks.

The principal risks that have been identified in relation to the Group are disclosed below.

Investment performance risk
A key risk faced by the Group is that of poor investment performance. Poor performance in the short term can erode the Group's revenue generating capabilities and might trigger redemptions from its funds. Sustained negative performance might result in the business ceasing to be viable.

Investment decisions are made by investment committees supported by the Group's dedicated credit research analysts. Investment decisions are subject to internal trade approval policies and are subject to on-going monitoring by the Group's risk department. Risk management ensures that the investment positions remain within agreed tolerance levels and the overall risk appetite of the Group. Weekly risk meetings are held for each business line at which the product strategy, investment position and risk tolerance are reviewed. Detailed risk reports for each product to monitor investment performance are prepared weekly and are distributed to the investment committee, a summary of which is presented to the EMC.

Employee risk
The Group recognises that its employees are essential to the growth and success of its business. Its ability to generate revenue and achieve its strategic objectives is based on the skill, knowledge and expertise of its staff. Management is committed to recruiting, developing and retaining only the most able staff. Its recruitment processes and competitive compensation structures are designed to achieve this.

Key man risk
Key man risk is the risk that the Group is overly reliant on one or more individuals and, should one or more of those individuals cease to be employed, the Group could suffer losses or be no longer able to achieve its objectives. Management regularly reviews and monitors its key man exposure and looks to ensure that adequate and appropriate skilled cover is in place for each role. Any identified exposures will be remedied by additional training or by recruitment.

Management recognises that certain functions are more inherently exposed to key man risks than others and that this risk cannot always be mitigated. In the case of portfolio managers, management does seek to reduce its exposure by ensuring that trading strategies and decisions are developed by committee and that other portfolio managers are able to cover in periods of absence.

Operational risk
Operational risk is the risk that the Group might suffer a loss as a result of the inadequacy or failure of internal processes or systems.

The Group has designed, developed and implemented strong and robust internal control processes coupled with the development of a bespoke front-to-back electronic trading platform. The trade process is now effectively systemised which minimises the overall exposure to operational failures and lessens the likelihood that key processes can be overridden. Overall, the control processes and segregation of duties in place do, in the view of management, reduce the exposure to operational risk to an acceptably low level.

Key Risks *(continued)*

Business risk
Business risk is the risk of loss inherent in a firm's operating, business and industry environment. This risk can arise from external factors such as changes to the economic environment or one-off economic shocks or, and as considered specifically above, internal factors such as poor investment performance.

The effect of business risk will be the reduction in management and performance fee income due to a reduction in assets under management. As mitigation, the Group is managed to ensure that it has sufficient capital to withstand and absorb adverse changes in the business environment. Regular capital projections are prepared and the Group's business plans are subjected to stressed scenario analysis.

Business continuity risk
Business continuity risk is the risk that the Group will be unable to carry out its day-to-day activities as a result of a major catastrophe, disaster or some other external event. A failure to fulfil its obligations to its clients might result in financial losses for the Group as well as damaging its reputation. A period of prolonged business interruption might adversely affect the Group's business viability.

To mitigate the effects of business continuity risk the Group has in place a detailed business continuity plan which sets out the response to any business interruption and provides off-site facilities where the Group can continue its operations without interruption. The plan is reviewed periodically and is tested on an annual basis. Additionally the Group maintains business interruption insurance to cover additional costs of working in the event of a business interruption. The level of cover is reviewed annually as part of a broader review of the insurance policy.

Counterparty credit risk
The Group is exposed to the risk of financial loss should a counterparty fail to meet its contractual obligations. Credit risk arises from the following sources: fees due from clients; investments in transactions and funds managed by the Group; and cash held in financial institutions.

Debtor balances arising from the Group's asset management business are typically paid within 30 days and are not subject to significant credit risk. Fees are distributed by the fund administrator or custodian once the NAV has been struck. The funds are managed to ensure that sufficient liquidity is maintained to enable them to meet their liabilities as they fall due. As such there is no significant credit risk arising from the Group's fees from its fund management activities.

Fees from the Group's advisory mandates are paid according to the Group's normal terms of business and are regularly monitored and reviewed for ageing. Any potential doubtful debts are identified as part of the review. Provisions are made against any debtor balances deemed to be doubtful. Periodic payments may be required in advance to mitigate credit risk and withdrawal of services in the event of non-payment is considered a last resort.

Cash is deposited at major UK financial institutions only. Cash is not held in money market deposits as this does not match the Group's risk profile. In light of the government response to the credit crisis, the Group considers its credit risk arising from major UK financial institutions to be acceptably low.

Key Risks *(continued)*

Regulatory risk
The Group is exposed to a failure to comply with the requirements of its regulatory framework. The consequence of a failure to comply would be the imposition of a fine or, depending on the severity of the instance or instances of non-compliance, a withdrawal of the Group's regulatory permissions.

Management has a zero risk tolerance for instances of non-compliance with its regulatory framework. Management has designed its policies and procedures to ensure compliance with its regulatory requirements. An up-to-date compliance manual is maintained and is regularly reviewed to ensure it encompasses changes to the regulatory framework. A copy of the manual is distributed to all new joiners.

The Compliance Officer and the Chief Legal Officer remain abreast of regulatory developments and changes to the regulatory framework are, where appropriate, communicated to relevant staff. If required, the Group's processes will be reviewed and updated to take account of regulatory changes.

Foreign currency risk
The Group receives income and maintains cash balances in currencies other than sterling and, as such, has exposure to foreign currency risk. The Group mitigates its exposure to foreign currency risk by entering into foreign currency forward contracts to sell substantially all of its identified net foreign currency exposures.

Technology risk
The Group has a dedicated software development team committed to designing and developing system architecture integral to the Group's provision of asset management services. As such the Group is exposed to the risk that the technology developed may contain errors and result in inaccurate information being provided to the portfolio management and risk management teams. This risk is mitigated by the design and implementation of robust change management processes, including regression testing, before system changes are authorised for release.

As the Group maintains bespoke electronic front-to-back trade capture systems, maintaining the integrity of the data contained within it is of utmost importance. The Group maintains data access groups to ensure appropriate access restrictions to software are in place as well as ensuring that access roles are regularly monitored and reviewed.

Cyber security risk
Cyber security threats have grown significantly in the last few years. The Group's Directors have considered the most important digital assets in the Group's business as seen through the perspective of financial stability, regulatory compliance and reputational protection. All staff will be trained on cyber security, including the nature of cyber threats, shared responsibility, mobile working guidelines, a review of cyber security incidents with investment managers over the past few years and the security measures and protocols the Group has in place to guard against cyber-attacks. The Group has also instituted various preventative measures against cyber security threats including firewalls, anti-virus software, vulnerability scans and patches, segmented network/privileges, a cyber incident response plan, data encryption, penetration testing, email/spam filtering and user security.

Fraud risk
There is a risk that negligent or fraudulent actions might result in legal claims against the Group as well as giving rise to real losses to the Group. The Group has a strong and rigorous system of internal control designed to prevent and detect instances of fraud and error. The Group has a dedicated middle-office and risk functions that act independently from the portfolio management group; this group is responsible for confirming and settling all trades. Additionally, Cairn has dedicated fund accounting and treasury functions that review portfolio pricing in accordance with the Group's agreed pricing policy and reconcile positions and cash balances on a timely basis.

Future Developments
As reported in the Business Review, 2015 was a challenging year for the Group. However, it has provided the Group the opportunity to re-assess the best strategies for the business going forward.

Focus in 2016 will continue to be placed on the Group's core asset management capabilities being multi-asset credit, real estate and leveraged loans. The Directors believe the Group is well placed to continue to grow AUM in these strategies as well as special opportunities and will continue to increase the services it provides to CLI in order for CLI to be able to launch a number of new CLOs during 2016.

Paul Campbell

Paul Campbell
Director

BY ORDER OF THE BOARD
For and on behalf of
CAIRN CAPITAL LIMITED
27 Knightsbridge, London, SW1X 7LY

The Strategic Report was approved by the board on 26 April 2016.

BY ORDER OF THE BOARD

CAIRN CAPITAL GROUP LIMITED
Directors' Report

Results and Dividends
The Group loss for the year, after taxation, amounted to £3,711,139 (2014: profit of £1,477,900).

The Directors recommend the payment of an ordinary dividend of £0 (2014: £0).

Directors
The Directors who served during the year and until the date of this report, unless disclosed otherwise, were as follows:

Paul Campbell
Francesco Canzonieri (appointed 31 December 2015)
Francesco Coatti (appointed 31 December 2015)
Roderick Davidson (appointed 27 January 2016)
Alan Devine (resigned on 17 December 2015)
Tim Frost
David Henriques
Maria Iardella (appointed 31 December 2015)
Roslyn Kelly (appointed 31 December 2015)
David Littlewood
Anthony Mallin
Pierpaolo Montana (appointed 31 December 2015)
Robert Pierce Jones
Alexandra Young (appointed 31 December 2015)

Company Secretary
James Starky

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Paul Campbell

Paul Campbell
Director

BY ORDER OF THE BOARD
For and behalf of
CAIRN CAPITAL GROUP LIMITED
27 Knightsbridge, London, SW1X 7LY

The Director's Report was approved by the Board on 26 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN CAPITAL GROUP LIMITED

We have audited the financial statements of Cairn Capital Group Limited for the year ended 31 December 2015 set out on pages 11 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

N Palmer

Neil Palmer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
26 April 2016

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	13,490,933	20,498,750
Administrative expenses		(17,501,549)	(17,835,805)
Operating (loss)/profit	5	(4,010,616)	2,662,945
Income from fixed asset investment		60,756	-
Realised loss on fixed asset investment		(484,569)	(790,815)
Interest receivable and similar income		12,856	9,351
Interest payable and similar charges	9	(37,784)	(61,587)
(Loss)/profit on ordinary activities for the financial year before taxation		(4,459,357)	1,819,894
Tax on profit on ordinary activities	10	748,218	(341,994)
(Loss)/profit on ordinary activities for the financial year after taxation		(3,711,139)	1,477,900

All activities are classed as continuing.

The notes on pages 17 to 36 form an integral part of these financial statements.

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
(Loss)/profit on ordinary activities for the financial year before taxation		(3,711,139)	1,477,900
Foreign exchange translation reserve		12,665	12,710
Total comprehensive income for the year		(3,698,474)	1,490,610
Total comprehensive income attributable to:			
Shareholders of the parent company		(1,886,222)	760,211
Minority interests		(1,812,252)	730,399

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes		2015 £		2014 £
FIXED ASSETS					
Tangible Assets	11		188,332		284,763
Intangible Assets	12		3,015		29,629
Investments	13		1,080,285		2,174,280
			1,271,632		2,488,672
CURRENT ASSETS					
Debtors	14	7,705,386		8,328,175	
Restricted cash	15	11,987,936		-	
Cash at bank and in hand		1,950,763		2,400,261	
		21,644,085		10,728,436	
CREDITORS: amounts falling due within one year	16	(14,563,884)		(5,469,089)	
NET CURRENT ASSETS			7,080,201		5,259,347
Total assets less current liabilities			8,351,833		7,748,019
CREDITORS: amounts falling due after more than one year	17		-		(534,058)
Provisions for liabilities	18		(52,317)		(15,265)
			8,299,516		7,198,696
CAPITAL AND RESERVES					
Called up share capital	20		263		503
Share premium	21		4,999,900		4,999,900
Profit and loss account	22		3,299,353		3,629,383
Investment in own shares	24		-		(1,431,090)
Total shareholders' funds	23		8,299,516		7,198,696

The notes on pages 17 to 36 form an integral part of these financial statements.

The financial statements on pages 11 to 36 were approved by the Board of Directors on 26 April 2016.

Paul Campbell
Director
Company number 4788155

CAIRN CAPITAL GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes		2015		2014
			£		£
FIXED ASSETS					
Tangible Assets	11		132,857		235,469
Intangible Assets	12		3,015		29,629
Investments	13		3,305,001		4,398,995
			3,440,873		4,664,093
CURRENT ASSETS					
Debtors	14	6,933,590		5,962,690	
Restricted cash	15	11,987,936		-	
Cash at bank and in hand		174,322		249,690	
		19,095,848		6,212,380	
CREDITORS: amounts falling due within one year	16	(17,287,149)		(8,252,203)	
NET CURRENT ASSETS			1,808,699		(2,039,823)
Total assets less current liabilities			5,249,572		2,624,270
CREDITORS: amounts falling due after more than one year	17		-		(534,058)
Provisions for liabilities	18		(52,317)		(15,265)
			5,197,255		2,074,947
CAPITAL AND RESERVES					
Called up share capital	20		263		503
Share premium	21		4,999,900		4,999,900
Profit and loss account	22		197,092		(1,494,366)
Investment in own shares	24		-		(1,431,090)
Total shareholders' funds	23		5,197,255		2,074,947

The notes on pages 17 to 36 form an integral part of these financial statements.

The financial statements on pages 11 to 36 were approved by the Board of Directors on 26 April 2016.

Paul Campbell

Paul Campbell
Director
Company number 4788155

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

CASHFLOW STATEMENT	**Notes**	**2015 £**	**2014 £**
Cash flows from operating activities			
(Loss)/profit for the year		(3,711,139)	1,477,900
Adjustments for:			
Depreciation, amortisation, fair value and impairment		225,865	450,903
Interest receivable and similar income		(12,856)	(9,351)
Interest payable and similar charges		37,784	61,587
Loss on sale of tangible fixed assets		484,569	790,815
Income from investments		(60,756)	-
Taxation		(748,218)	341,994
Foreign exchange differences		(53,395)	(62,286)
Decrease in debtors		3,604,369	3,706,672
Decrease in creditors		(262,635)	(12,678,748)
Cash from operations		(496,412)	(5,920,514)
Income tax paid		(383,102)	(727,583)
Net cash inflow from operating activities		(879,514)	(6,648,097)
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(63,646)	(81,877)
Proceeds from sale of tangible fixed assets		11,244	-
Proceeds from sale of investments		1,088,125	1,088,125
Proceeds from investments		60,756	-
Interest received		10,998	9,350
Net cash inflow from investing activities		1,107,477	1,015,598
Cash flows from financing activities			
Repayment of bank loans		(633,825)	(200,426)
Equity dividends paid		-	(4,794,477)
Interest paid		(43,636)	(69,697)
Net cash from financing activities		(677,461)	(5,064,600)
Net decrease in cash and cash equivalents		(449,498)	(10,697,099)
Cash and cash equivalents at the beginning of the year		2,400,261	13,097,360
Cash and cash equivalents at the end of the year		1,950,763	2,400,261

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called-up share capital	Share premium account	Foreign exchange translation reserve	Own share reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2014	**503**	**4,999,900**	**(345,344)**	**(1,431,090)**	**9,808,683**	**13,032,652**
Profit for the year	-	-	-	-	1,477,900	1,477,900
Foreign exchange translation reserve	-	-	12,710	-	-	12,710
Preference share dividend	-	-	-	-	(1,000,000)	(1,000,000)
Dividends declared	-	-	-	-	(6,324,566)	(6,324,566)
At 31 December 2014	**503**	**4,999,900**	**(332,634)**	**(1,431,090)**	**3,962,017**	**7,198,696**
Profit for the year	-	-		-	(3,711,139)	(3,711,139)
Foreign exchange translation reserve	-	-	12,664	-	-	12,664
Own shares cancelled	(240)	-	-	-	-	(240)
Disposal of own shares	-	-	-	1,431,090	-	1,431,090
Dividends cancelled	-	-	-	-	3,368,445	3,368,445
At 31 December 2015	**263**	**4,999,900**	**(319,970)**	**-**	**3,619,323**	**8,299,516**

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation
Cairn Capital Group Limited ("the Company") is a company limited by shares and incorporated and domiciled in the UK.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Directors have reviewed the basis of preparation and consider the going concern assumption to be appropriate in light of the financial position and performance of the Company and Group.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 30 for an explanation of the transition.

The financial statements are presented in Sterling (£).

Basis of consolidation
The consolidated financial statements include the results of the Company and of its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

A special purpose entity (SPE) is consolidated if the Group concludes that it controls the SPE.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss account in these financial statements.

The Company's loss for the year, after taxation, was £1,677,226 (2014: profit of £6,382,826) after allocation of expenditure. The majority of the costs incurred by the Group are initially incurred by Cairn Capital Group Limited. Costs identified as being wholly attributable to the Group's trading activities are reallocated in full to Cairn Capital Limited. General overhead expenditure is allocated to Cairn Capital Limited on a proportionate basis.

1 ACCOUNTING POLICIES *(continued)*

Turnover

Turnover arising from one-off advisory mandates is recognised as services are provided by the Group and the associated fees become due and payable per the relevant contract. Advisory fees arising from certain advisory mandates that are receivable by the Group on completion of a transaction are recognised by the Group when the advisory services provided are complete and the associated transaction is sufficiently advanced that it is highly probable that the transaction will complete and therefore the Group will receive the fees that are payable on completion.

Revenue from longer-term asset management mandates is recognised on an accruals basis. Performance fees are recognised only when earned. Revenue in relation to services provided under services or secondment agreements is recognised on an accruals basis.

Total fee income of the Group is apportioned to members of the Group on a proportionate gross residual basis. The method of apportionment is based on the remuneration costs of staff directly involved in revenue generating activities of a group company as a proportion of the remuneration costs of staff directly involved in revenue generating activities of the Group as a whole. The proportional rate is applied to the sum of the residual fee income of all group companies after first deducting from the fee income of each company the fully-absorbed cost of back office and support staff at a cost plus 5% rate.

Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as below:

	Policy
Leasehold improvements	over 5 years
Fixtures, Fittings & Equipment	over 5 years
Office Equipment	over 3 years
Purchased Software	over 5 years

Purchased software is capitalised as a tangible fixed asset and is depreciated over its useful economic life. Purchased software represents trading software with an estimated useful life of 5 years. Other office software with a shorter useful life is included in Office Equipment and is depreciated over 3 years.

Internally developed software is accounted for under the accounting rules set out in FRS 102 (Section 18). Development costs that satisfy the criteria for deferred recognition are included on the balance sheet as an intangible fixed asset. Intangible fixed assets are stated at cost less accumulated amortisation. Development costs that do not satisfy the criteria are expensed as incurred. Deferred expenditure is recognised in the profit and loss account on a straight line basis over the period during which the Group expects to receive benefit from the development work carried out. Deferred development costs are reviewed at least annually to ensure that the Group is expected to continue to receive future benefit and that the estimated value of the future benefit remains in excess of the carrying value of the deferred expense amount.

Investments in subsidiaries

Investments in subsidiaries are stated at cost in the parent company. Impairment reviews are carried out when there is evidence that the investments might be impaired. Impairment losses are recognised in the profit and loss account and are included in operating profit.

1 ACCOUNTING POLICIES (*continued*)

Classification of financial instruments issued by the group
In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Basic financial instruments
Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Financial instruments not considered to be basic financial instruments
Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Provisions
A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1 ACCOUNTING POLICIES (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Non-monetary assets, except for investments denominated in foreign currencies that have been financed by foreign currency loans, are not retranslated but are maintained at the rate of exchange used to initially record the transaction.

The assets and liabilities of foreign operations, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Employee benefit trusts
The Company has established an employee benefit trust to provide compensation to employees. The assets and liabilities of the trust are recorded as the Company's own assets and liabilities and are included in the Company balance sheet. Contributions to the trust are recognised in the profit and loss account when an award is made to employees.

Share based payments
The Group through its employee benefit trust remunerates certain employees by granting options over shares in the Company. To the extent that it is considered to be material, the fair value of share options granted is recognised as an expense in the profit and loss accounts with a corresponding increase in equity. The expense recognition is spread over the period during which the employees become unconditionally entitled to the instruments based on the Group's estimate of the number of instruments ultimately expected to vest. The Group and Company makes no other share based payments.

Employee benefits
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1 ACCOUNTING POLICIES (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Lease incentives received are recognised in profit and loss over the term to the date of the first break option and are an integral part of the total lease expense. Lease incentives of rent free periods have been received on both the office in UK and in the US.

2 GOING CONCERN

The Directors have reviewed the financial position of the Company and of the Group. Based on the reinforced shareholding structure, consolidated capital and reserves of £8,528,476 and an assessment of the Group's business risks the Directors consider the Group will be able to meet its liabilities as they fall due for a period of no less than 12 months. As such the going concern assumption remains appropriate and the financial statements have been prepared on that basis.

3 TURNOVER

Turnover represents fee income from investment management services, including structuring and advisory services, provided to a number of clients. The Directors consider this to be the only business segment.

4 SEGMENTAL REPORTING

As noted in note 3, the Directors consider income from investment management services to be the only business segment. The Group operates in two geographical areas, the United Kingdom and the United States of America. Turnover, operating profit and net assets originating in each geographical area are summarised below:

	UK 2015 £	USA 2015 £	Total 2015 £	UK 2014 £	USA 2014 £	Total 2014 £
Turnover	12,548,788	942,145	13,490,933	19,551,185	947,565	20,498,750
Operating profit/(loss)	(3,375,791)	(634,824)	(4,010,615)	3,253,954	(591,009)	2,662,945
Net assets	7,410,624	888,892	8,299,516	6,550,396	648,300	7,198,696

5 PROFIT ON ORDINARY ACTIVITIES

Operating loss/profit is stated after charging:	Notes	2015 £	2014 £
Depreciation of owned tangible fixed assets		157,899	214,876
Amortisation of intangible fixed assets		26,614	132,672
Operating lease rentals	25	944,140	899,277
Foreign exchange losses/(gains)		297,819	(286,800)
Auditor's remuneration: Audit services for these financial statements		33,297	31,297
Auditor's remuneration: Audit services for financial statements of subsidiary		43,951	41,951
Auditor's remuneration: Audit related assurance services		7,725	7,725
Auditor's remuneration: Other services relating to controls reports		84,756	104,000
Auditor's remuneration: Other services relating to Completion Accounts		40,000	-
Auditor's remuneration: Other services relating to taxation		6,588	30,875

Staff costs are shown in Note 7

6 DIRECTORS' EMOLUMENTS

	2015 £	2014 £
Aggregate emoluments	1,088,542	1,140,519
Aggregate contributions to a money purchase pension scheme	41,728	39,996

Retirement benefits are accruing to four (2014: four) directors under a defined contribution money purchase pension scheme.

Highest paid director:		
Emoluments	253,164	237,227
Contributions to a money purchase pension scheme	19,798	17,526

7 STAFF COSTS

	2015 £	2014 £
Wages and salaries	7,273,944	8,479,420
Social security costs	1,254,866	1,034,932
Pension costs	277,821	315,800
	8,806,631	9,830,152

The Company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension's provider. Pension payments recognised as an expense during the year amount to £277,821 (2014: £315,800).

Average number of employees during the year	**Number**	**Number**
Marketing and Structuring	17	20
Portfolio Management	14	16
Research	8	10
Middle-Office, Support and Administration	19	23
Legal	3	4
	61	73

8 SHARE OPTIONS

The Company has set up an employee benefit trust to remunerate its employees by granting options over shares in the Company. At 31 December 2015 there were no options outstanding (2014: options over 2,057 A ordinary shares), as all outstanding options were cancelled during the year.

The terms of the options that have been cancelled are outlined below.

The option period in respect of options granted commences when the Company achieves a corporate valuation of £150 million. The option period has a maximum duration of two years. Options may be exercised upon the occurrence of a Trigger Event within two years of the commencement of the option period.

8 SHARE OPTIONS (continued)

A Trigger Event means the listing of the shares of the Company on AIM or any other market or stock exchange agreed between the A Shareholders and B Shareholders with a market value of at least £200 million or, if such sale is agreed by the shareholders as an alternative to a listing of the shares of the Company, the sale of shares of the Company to an independent arms' length third party or third parties for a consideration equating to a market value for the Company of at least £200 million. If a Trigger Event does not occur within two years of the commencement of the option period the options will lapse.

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Interest payable on bank loans	25,064	61,587
Other interest payable	12,720	-

10 TAXATION

	Notes	2015 £	2014 £
Analysis of charge in period			
Current tax:			
UK corporation tax on profits of the period		(508,048)	599,060
Prior year adjustment		(4,185)	(50,990)
		(512,233)	548,070
Deferred tax:		(235,985)	(181,387)
Tax on (loss)/profit on ordinary activities		(748,218)	366,683

Factors affecting tax charge for period	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	(4,459,357)	1,819,894
Standard rate of corporation tax in the UK	20.25%	21.50%
Profit on ordinary activities multiplied by the standard rate of corporation tax	(903,020)	391,277
Tax effects of:		
Expenses disallowable for tax purposes	264,175	123,204
Profits taxed at different rates	(81,172)	47,850
Current year R&D tax claim	(24,016)	(122,210)
Fixed asset timing difference	-	2,488
Prior year adjustment	(4,185)	(50,990)
Tax loss utilisation for which no deferred tax previously recognised	-	(24,936)
Total tax (credit)/charge for period	(748,218)	366,683

10 TAXATION (continued)

Deferred tax asset/(liability)	**2015**	**2014**
	£	**£**
Opening balance	63,221	(118,166)
Credit to P&L during the year	235,985	181,387
Closing balance	299,206	63,221

The deferred tax balance is made up as follows:		
Fixed asset timing differences	45,997	45,914
Unrelieved tax losses in CCGL	110,217	-
Unrelieved tax losses in CCNA	127,417	-
Transition adjustment	15,575	17,307
Total deferred tax asset	299,206	63,221

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. Additionally, the March 2016 Budget announced a planned reduction to 17% from 1 April 2020. These reductions will reduce the company's future current tax charge.

11 TANGIBLE FIXED ASSETS – GROUP

	Leasehold Improvements	**Fixtures, Fittings and Equipment**	**Office Equipment**	**Software**	**Total**
	£	**£**	**£**	**£**	**£**
Cost:					
At 1 January 2015	1,085,408	283,816	1,324,795	37,524	2,731,543
FX on b/fwd balance	3,058	2,062	4,128	-	9,248
Disposal	(64,945)	(24,492)	(25,594)	-	(115,031)
Additions	27,176	22,478	15,190	-	64,844
At 31 December 2015	1,050,697	283,864	1,318,519	37,524	2,690,604
Depreciation:					
At 1 January 2015	989,851	249,352	1,170,681	36,896	2,446,780
FX on b/fwd balance	3,025	1,422	3,242	-	7,689
Disposal	(65,099)	(19,403)	(25,594)	-	(110,096)
Charge for the year	41,142	13,070	103,205	482	157,899
At 31 December 2015	968,919	244,441	1,251,534	37,378	2,502,272
Net book value					
At 31 December 2015	81,778	39,423	66,985	146	188,332
At 31 December 2014	95,557	34,464	154,114	628	284,763

TANGIBLE FIXED ASSETS – COMPANY

	Leasehold Improvements	Fixtures, Fittings and Equipment	Office Equipment	Software	Total
	£	£	£	£	£
Cost:					
At 1 January 2015	1,023,394	247,245	1,241,683	37,524	2,549,846
Disposal	-	-	(25,594)	-	(25,594)
Additions	6,141	-	13,551	-	19,692
At 31 December 2015	1,029,535	247,245	1,229,640	37,524	2,543,944
Depreciation:					
At 1 January 2015	938,384	226,862	1,112,235	36,896	2,314,377
Disposal	-	-	(25,594)	-	(25,594)
Charge for the year	30,058	5,739	86,025	482	122,304
At 31 December 2015	968,442	232,601	1,172,666	37,378	2,411,087
Net book value					
At 31 December 2015	61,093	14,644	56,974	146	132,857
At 31 December 2014	85,010	20,383	129,448	628	235,469

12 INTANGIBLE FIXED ASSETS – COMPANY AND GROUP

	Software Development	Total
	£	£
Cost:		
At 1 January 2015	477,750	477,750
Additions	-	-
At 31 December 2015	477,750	477,750
Amortisation:		
At 1 January 2015	448,121	448,121
Charge for the year	26,614	26,614
At 31 December 2015	474,735	474,735
Net book value		
At 31 December 2015	3,015	3,015
At 31 December 2014	29,629	29,629

13 INVESTMENTS – COMPANY

	Other investments £	Shares in subsidiary undertakings £	Total £
At 1 January 2015	2,174,279	2,224,716	4,398,995
Additions	358,038	-	358,038
Disposals	(1,289,458)	-	(1,289,458)
Change in value during the year	(162,574)	-	(162,574)
At 31 December 2015	1,080,285	2,224,716	3,305,001

The subsidiaries of the parent company, Cairn Capital Group Limited, which are included in the consolidation, are as follows:

Company	Nature of Business	Country of Incorporation	Holding
Cairn Capital Limited	Asset Management	United Kingdom	100%
Cairn Financial Guarantee Limited	Dormant	United Kingdom	100%
Cairn Capital Investments Limited	Dormant	United Kingdom	100%
Cairn Investment Managers Limited	Dormant	United Kingdom	100%
Amplus Finance Limited	Dormant	United Kingdom	100%
Cairn Capital North America Inc	Investment advisor	USA	100%

INVESTMENTS – COMPANY (continued)

OTHER INVESTMENTS – COMPANY AND GROUP

	Cairn Capital Investments (1) Ltd	Cairn CLO I B.V.	Cairn Special Opportunities Credit Fund	Cairn Global Funds plc	Cairn Loan Investments LLP	Oneida Limited	Total
	£	£	£	£	£	£	£
Value:							
At 1 Jan 2015	27,996	954,590	348,262	437,246	394,166	12,020	**2,174,280**
Additions in the year	-	-	-	-	358,038	-	**358,038**
Disposals in the year	(27,996)	(817,806)	-	(443,657)	-	-	**(1,289,459)**
Change in value during the year	-	(136,784)	(30,370)	6,411	-	(1,831)	**(162,574)**
At 31 Dec 2015	**-**	**-**	**317,892**	**-**	**752,204**	**10,189**	**1,080,285**
Carrying value							
At 31 Dec 2015	-	-	317,892	-	752,204	10,189	1,080,285
At 31 Dec 2014	27,996	954,590	348,262	437,246	394,166	12,020	2,174,280

OTHER INVESTMENTS – COMPANY AND GROUP (*continued*)

Under FRS 102 the Company is required to carry its investments at fair value where a fair value can be determined. In the majority of the cases this is this case. However, where this is not possible then the investment is carried at cost less impairment.

As at 31 December 2015 the Company has a performed a review of its investments to determine their correct carrying value.

Cairn CLO I B.V.
In July 2015 Cairn CLO I B.V. was called and as such the investment was repaid. The amount repaid was EUR1,006,558 versus a carrying value at that date of EUR 1,071,338. Consequently a loss on disposal has been realised through the profit and loss.

Cairn Special Opportunities Credit Fund
As at 31 December 2015 the market value of the Company's investment was EUR 431,379.27 (2014: EUR 444,975). Any change in value during the year has been recognised in the profit and loss account for the year. The initial subscription was EUR 340,000.

Cairn Global Funds PLC
On 2 January 2014, the Company invested £443,389 into the Cairn Corporate Credit Spread Fund ("CCCSF"), fund under the CGF umbrella. This investment was subsequently switched into an investment in Cairn Strata Credit Fund ("Strata") on 2 January 2015, with a carrying value of £437,246. In March 2015, the Company redeemed its investment in Strata at a value of £443,657, and a profit on sale has been recognised through the profit and loss accordingly.

Cairn Loan Investments LLP
As at 31 December 2015 the Company has invested the full EUR1m that it had committed to Cairn Loan Investments LLP. There was no change in value of the investment during the year.

14 DEBTORS – COMPANY

	2015 £	2014 £
Trade debtors	-	261,372
Amounts owed by group undertakings	3,269,469	2,794,173
Other debtors	2,423,647	1,692,471
Prepayments and accrued income	1,240,474	1,214,674
	6,933,590	5,962,690
Includes amounts due after more than one year as follows:		
Amounts owed by group undertakings (note 19)	1,000,000	1,000,000
Other debtors	890,267	886,800
	1,890,267	1,886,800

DEBTORS – GROUP

	2015 £	2014 £
Trade debtors	1,102,572	866,064
Other debtors	3,569,194	1,835,778
Prepayments and accrued income	3,033,620	5,626,333
	7,705,386	8,328,175
Includes amounts due after more than one year as follows:		
Other debtors	890,267	886,800
	890,267	886,800

15 RESTRICTED CASH – COMPANY AND GROUP

	2015 £	2014 £
Restricted cash	11,987,936	-
	11,987,936	-

As part of the acquisition by Mediobanca, the sale proceeds relating to shares sold by employees and the EBT were transferred on 31 December 2015 to a Sellers account, which had been set up by the Company. However, the proceeds were not paid out until 4 January 2016 and as such are recorded as restricted cash in the Company over year end, with a creditor recognised for the same amount.

16 CREDITORS: DUE WITHIN ONE YEAR – COMPANY

	2015 £	2014 £
Trade creditors	301,788	309,587
Amounts owed to group undertakings	3,189,760	3,601,146
Other taxes and social security costs	324,270	295,125
Other creditors	-	3,484,628
Accruals and deferred income	1,483,395	395,936
Creditor in relation to the Mediobanca transaction (note 15)	11,987,936	-
Financing arrangements to acquire fixed asset investments	-	165,781
	17,287,149	8,252,203

CREDITORS: DUE WITHIN ONE YEAR – GROUP

	2015 £	2014 £
Trade creditors	325,836	328,978
Corporation tax	-	361,351
Other taxes and social security costs	429,502	381,119
Other creditors	252,230	3,647,997
Accruals and deferred income	1,568,380	583,863
Creditor in relation to the Mediobanca transaction (note 15)	11,987,936	-
Financing arrangements to acquire fixed asset investments	-	165,781
	14,563,884	5,469,089

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR – COMPANY AND GROUP

	2015 £	2014 £
Financing arrangement to acquire fixed asset investments (see below)	-	534,058
	-	534,058

The maturity of the financing arrangement to acquire fixed asset investments is as follows:

	2015 £	2014 £
Amounts falling due:		
- in less than one year (note 16)	-	165,781
- in more than one year but less than two	-	142,302
- In more than two years but less than five	-	391,756
	-	699,839

CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR – COMPANY AND GROUP (Continued)

The Company's investments in entities outside the Group (note 13) are from time to time funded by limited recourse loans. Such loans create a charge over the specific investment and in an event of default the lender only has recourse to the investment and no other assets of the Company.

The historic financing arrangements relate solely to a loan to finance the Company's investment in Cairn CLO I B.V. With the proceeds received from the redemption of the investment in Cairn CLO I B.V. the loan was repaid in August 2015. As such the principal balance outstanding at 31 December 2015 is EUR 0 (2014: EUR 894,184).

18 PROVISIONS FOR LIABILTIES – COMPANY AND GROUP

	Holiday pay	Dilapidations £	Total £
At 1 January 2015	15,265	-	15,265
Additions	8,817	43,500	52,317
Utilised	(15,265)	-	(15,265)
At 31 December 2015	8,817	43,500	52,317

The holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

19 SUBORDINATED LOANS – COMPANY

Loans not repayable within five years:	Dated	Interest Rate	2015 £	2014 £
Cairn Capital Limited	28/07/04	10%*	1,000,000	1,000,000

The subordinated loan is a fixed rate loan, not repayable within five years. Interest accrues daily from 28 July 2004 and is payable annually on 1 March in each year.

*Effective 1 January 2015 the annual interest rate payable was reduced from 50% to 10%.

20 SHARE CAPITAL

	2015 No	2014 No	2015 £	2014 £
Allotted and fully paid:				
Ordinary A Shares of £0.005 each (2014: £0.01 each) *	26,813	14,000	134	140
Ordinary B Shares of £0.005 each (2014: £0.01 each) *	25,759	26,285	129	263
Ordinary C Shares of £0.005 each (2014: £0.01 each) *	-	6,000	-	60
Preference shares of £0.005 each (2014: £0.01 each) **	-	4,000	-	40
Equity share capital			263	503

On 31 December 2015, 51% of the share capital of the Company was acquired by Mediobanca, a company listed in Italy. In advance of the acquisition, the Company under took a share re-organisation. As part of the re-organisation all ordinary and preference shares were sub-divided. A and B shares were re-designated between ordinary and deferred shares; and C and Preference Shares were re-designated as deferred shares. Subsequently, all deferred shares were cancelled by way of a capital reduction of £240. Post-acquisition, the ordinary shares were re-designated between A shares (51%) and B shares (49%).

* The ordinary A Shares shall be entitled to 51% of the voting rights which are exercisable in respect of any resolution of the Shareholders. The ordinary B Shares shall be entitled to 49% of the voting rights which are exercisable in respect of any resolution of the Shareholders.
An ordinary C shareholder is entitled to attend but not to vote at general meetings of the Company and is not entitled to any rights of participation in the profits of the Company.

** Fixed preference shares are treated as equity. They entitle the holders to a discretionary dividend in priority to holders of A or B shares at the rate of 50% per annum on the paid up amount including share premium, but do not entitle the holder to any further rights of participation in the profits of the Company. Preference shares are only redeemable at the issuer's option.

21 SHARE PREMIUM

	2015 £	2014 £
Premium on ordinary shares	4,999,900	2,999,940
Premium on preference shares	-	1,999,960
	4,999,900	4,999,900

22 PROFIT AND LOSS – COMPANY

	2015 £	2014 £
At 1 January	(1,494,366)	(552,626)
(Loss)/profit for the year	(1,677,226)	6,382,826
	(3,171,592)	5,830,200
Preference share dividend	838,356	(1,000,000)
Dividend paid on ordinary shares	2,530,088	(6,324,566)
Capital reduction	240	-
At 31 December	197,092	(1,494,366)

PROFIT AND LOSS – GROUP

	2015 £	2014 £
At 1 January	3,629,383	9,463,339
(Loss)/profit for the year	(3,711,139)	1,477,900
Foreign exchange difference on consolidation	12,665	12,710
	(69,091)	10,953,949
Preference share dividend	838,356	(1,000,000)
Dividend paid on ordinary shares	2,530,088	(6,324,566)
At 31 December	3,299,353	3,629,383

On 31 December 2015 all outstanding dividends in relation to both preference and ordinary shares were cancelled, resulting in the write back of £838,356 for preference dividends accrued but not declared and £2,530,088 for ordinary shares declared but not paid.

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS – COMPANY

	2015 £	2014 £
At 1 January	2,074,947	3,016,687
Profit for the financial year	(1,677,226)	6,382,826
Preference share dividend	838,356	(1,000,000)
Dividend paid on ordinary shares	2,530,088	(6,324,566)
Investment in own shares (note 24)	1,431,090	-
At 31 December	5,197,255	2,074,947

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS – GROUP

	2015 £	2014 £
At 1 January	7,198,696	13,032,652
Profit for the financial year	(3,711,139)	1,477,900
Capital reduction	(240)	-
Preference share dividend	838,356	(1,000,000)
Dividend paid on ordinary shares	2,530,088	(6,324,566)
Investment in own shares (note 24)	1,431,090	-
Foreign exchange difference	12,665	12,710
At 31 December	8,299,516	7,198,696

24 INVESTMENT IN OWN SHARES

As a result of the acquisition outlined in note 20, the EBT sold all of the ordinary shares that it held in the Company, being 461 A ordinary shares and 314 B ordinary shares. The shares had previously belonged to former employees and were transferred to the EBT in prior periods on termination of employees' contracts of employment. The shares were initially acquired at an agreed market value and the cost of the shares was shown as a deduction from shareholders' funds. On disposal an expense was recognised in the Group accounts being the difference between the amount they were originally purchased for less the acquisition price.

25 CAPITAL COMMITMENTS – GROUP & COMPANY

At 31 December 2015 the Group and the Company had no unrecorded capital commitments.

26 OTHER FINANCIAL COMMITMENTS – GROUP AND COMPANY

At the year end the Group and Company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2015 £	Land and buildings 2014 £
Operating leases which expire:		
within one year	-	116,656
within two to five years	934,625	-
in over five years	48,520	739,000
	983,145	855,656

27 FINANCIAL INSTRUMENTS – GROUP

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables being denominated in non-Sterling currencies, whilst the majority of its operating expenses are denominated in Sterling. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts.

	2015 £	2014 £
Financial assets measured at fair value through profit and loss	3,434	-
Financial liabilities measured at fair value through profit and loss	(82,975)	-
	(79,541)	-

The foreign current forward contracts are not traded in active markets. These have been fair valued using the spot rate in force at the reporting date.

28 RELATED PARTIES

At 31 December 2015 the Group was owed £806,591 (2014: £43,345) by Cairn Loan Investments LLP ("CLI") for resources provided by the Group to CLI under services, secondment and licence agreements. The fees have been recorded as revenue in the Group's accounts. In addition the Group is also owed £31,404 (2014: £30,448) for expenses that it has cash settled on behalf for CLI, for which the Group will be reimbursed.

29 ULTIMATE PARENT UNDERTAKING

At 31 December 2015 the parent company and ultimate controlling party of the Company was Mediobanca. Copies of the consolidated financial statements for Mediobanca can be found on their website (http://www.mediobanca.it/en/investor-relations/bilanci/index.html).

30 TRANSITION TO FRS 102

The company has adopted FRS 102 for the year ended 2015 and has restated the restated the comparative prior year amounts.

Changes for FRS 102 adoption:

a) Where possible investments are now carried at fair value rather than cost less impairment as previously
b) The Company is required to make holiday pay accruals where holiday days are carried over from one year to the next
c) Foreign exchange forward contracts are now recognised at fair value at the end of the year with changes in fair value recognised in profit and loss. Previously foreign exchange contracts were not recognised in the statement of financial position.

TRANSITION TO FRS 102 (continued)

Restated consolidated balance sheet

	31 December 2014 £	1 January 2014 £
Original shareholders' funds	7,950,355	12,333,741
Financial instruments at fair value	(968,458)	921,605
Deferred tax on instruments at fair value	193,731	(184,361)
Holiday pay accrual	23,068	(38,333)
Restated shareholders' funds	7,198,696	13,032,652

Restated company balance sheet

	31 December 2014 £	1 January 2014 £
Original shareholders' funds	2,826,624	2,317,757
Financial instruments at fair value	(968,476)	921,624
Holiday pay accrual	23,067	(38,333)
Deferred tax on instruments at fair value	193,732	(184,361)
Restated shareholders' funds	2,074,947	3,016,687

Restated consolidated profit and loss for the year ended 31 December 2014

	2014 £
Original profit on ordinary activities before tax	2,765,285
Financial instruments at fair value	(968,458)
Holiday pay accrual	23,067
Restated profit before tax for the financial year	1,819,894
Original tax on ordinary activities	(535,726)
Deferred tax on financial instruments at fair value	193,732
Restated profit after tax for the financial year	1,477,900

31 EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events after the balance sheet date.