

Registered number
4788155

CAIRN CAPITAL GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



CAIRN CAPITAL GROUP LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
CONTENTS

	Page
COMPANY INFORMATION	1
STRATEGIC REPORT	2-5
DIRECTORS' REPORT	6-7
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAIRN CAPITAL GROUP LIMITED	8-9
CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	11
CONSOLIDATED BALANCE SHEET	12
COMPANY BALANCE SHEET	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
COMPANY STATEMENT OF CHANGES IN EQUITY	15
CONSOLIDATED CASH FLOW STATEMENT	16
NOTES TO THE FINANCIAL STATEMENTS	17-33

CAIRN CAPITAL GROUP LIMITED
Registered number: 4788155
Company Information

Directors

Paul Campbell
Timothy Frost
Frank Goasguen
David Henriques
Anthony Mallin
Pierpaolo Montana
Robert Pierce Jones
Alexandra Young

Secretary

James Starky

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Solicitors

Allen & Overy LLP
One Bishops Square
London
E1 6AO

Bankers

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Barclays PLC
One Churchill Place
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London
E14 5HP

Registered office

27 Knightsbridge
London
SW1X 7LY

CAIRN CAPITAL GROUP LIMITED

Strategic Report

The Directors present their Strategic Report for Cairn Capital Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "Cairn") for the year ended 31 December 2018.

Principal Activities

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

The turnover for the year decreased to £15,636,338 from £21,717,446 in 2017.

The decrease in revenues was driven by a decrease in performance fees and advisory fees earned.

During the year the Group launched four new funds. In January 2018 Cairn Strata Secured Finance Fund was launched expanding the Cairn's range of Multi-Asset Credit funds available. In November 2018 Cairn Pathfinder Fund II, Cairn Pathfinder II EUR Feeder Fund and Cairn Pathfinder Fund III were launched which sought to capitalise on the Group's strengths in the private structured credit arena.

In March 2018, despite a strong performance Cairn decided to close Cairn European Commercial Mortgage Fund following discussions with the market.

In October 2018 Cairn Special Opportunities Credit Fund was closed and the assets transferred to Cairn Capstone Special Opportunities Fund.

During the year the Group decided to cease business operations in the USA which were carried on through Cairn Capital North America.

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 financial statements at 31 December 2018. 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 2019 and, where applicable, subsequent periods might erode the value of the performance fees. The value of such fees at 31 December 2018 amounts to £27,057 (2017: £837,530). The crystallisation dates occur at various points during 2019 and future years.

The following funds managed by the Group reported the following performance returns in 2018:

Fund	2018 annual return	2017 annual return
Cairn Capstone Special Opportunities Fund	-0.4%	n/a
Cairn European Commercial Mortgage Fund	n/a	+5.9%
Cairn European Loan Fund	+1.9%	+4.8%
Cairn Pathfinder Fund I	+7.0%*	n/a
Cairn Pathfinder Fund II	+0.55%	n/a
Cairn Pathfinder Feeder Fund II**	+0.38%	n/a
Cairn Pathfinder Fund III	+0.96%	n/a
Cairn S Multi Asset Credit Fund	+1.2%	+6.7%
Cairn Special Opportunities Credit Fund	+4.6%***	+5.8%
Cairn Strata Credit Fund	-0.8%	+5.7%
Cairn Strata Secured Finance Fund	-0.6%	n/a
Cairn Subordinated Financials Fund II	-11.0%	+7.8%

*To 31 October 2018

** Invests in Cairn Pathfinder Fund II

*** To 30 September 2018

CAIRN CAPITAL GROUP LIMITED
Strategic Report (continued)

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:

	2018	2017
	£'000	£'000
Turnover	15,636	21,717
Operating (loss)/profit	(2,651)	1,359
Operating margin (%)	-17.0%	6.3%

The Group also measures its performance by reference to its assets under management and advice ("AUM&A"). Total AUM&A of the Group decreased from \$1.5bn at 31 December 2017 to \$1.3bn at 31 December 2018, however, the primary driver of the decrease was the run off of legacy mandates, as expected, from \$0.5bn to \$0.1bn which was offset by inflows into discretionary and advisory AUM of \$0.2bn.

AUM&A does not include any discretionary AUM in relation to CLOs 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 and does not form part of the Group's numbers.

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.

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.

CAIRN CAPITAL GROUP LIMITED
Strategic Report (continued)

Risk Management (continued)

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.

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.

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.

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, which are included in the Group's ISAE 3402 Type II report, do, in the view of management, reduce the exposure to operational risk to an acceptably low level.

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, 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.

As a result of the referendum held on 23 June 2016, Britain has decided to exit the European Union ("EU"). The impact of this on the regulatory and legal frameworks under which the Group operates depends on the terms on which Britain exists. The Group has implemented contingency plans in the event that Britain exits without a deal and continues to monitor developments to assess the possible impacts and its strategic options.

CAIRN CAPITAL GROUP LIMITED
Strategic Report (continued)

Cashflow and liquidity risk

The Group monitors its cash flow closely, with projections calculated at least monthly. If any shortfall of cash is projected, actions are taken to ensure that this is remedied in advance of the situation arising by calling on funds through the shareholder loan fund facility provided by the Group's parent company.

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.

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 Net Asset Value ("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.

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 are 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.



Paul Campbell
Director

For and on behalf of
CAIRN CAPITAL GROUP LIMITED
27 Knightsbridge, London, SW1X 7LY

The Strategic Report was approved by the board on 10 April 2019.

CAIRN CAPITAL GROUP LIMITED

Directors' Report

The directors present their audited report and the audited financial statements for the Group and Company for the year ended 31 December 2018.

Qualifying third-party indemnity provision

As permitted in the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The parent company has also purchased and maintained throughout the financial year Directors' liability insurance in respect of the Company and its Directors.

Results and Dividends

The Group loss for the financial year, after taxation, amounted to £1,901,044 (2017: profit of £1,183,882).

The Directors recommend the payment of an ordinary dividend of £0 (2017: £0).

Future Developments

The Group plans to launch a UCITs fund in the first half of 2019 to further develop its multi-asset credit capabilities. The Directors do not anticipate any further future developments or changes to the principal activities of the Group.

Directors

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

Paul Campbell	
Francesco Coatti	(resigned 24 October 2018)
Stefano Dova	(resigned 31 January 2018)
Timothy Frost	
Frank Goasguen	(appointed 31 January 2018)
David Henriques	
Maria Teresa Iardella	(resigned 17 October 2018)
Roslyn Kelly	(resigned 17 October 2018)
David Littlewood	(resigned 31 July 2018)
Anthony Mallin	
Pierpaolo Montana	
Robert Pierce Jones	
Annalisa Rotunno	(resigned 17 October 2018)
Alexandra Young	

Company Secretary

James Starky

CAIRN CAPITAL GROUP LIMITED

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group's and Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors

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



Paul Campbell
Director

For and behalf of
CAIRN CAPITAL GROUP LIMITED
27 Knightsbridge, London, SW1X 7LY
The Director's Report was approved by the Board on 10 April 2019

Independent auditors' report to the members of Cairn Capital Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cairn Capital Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 31 December 2018; the consolidated profit and loss account, consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the group's and the company'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 directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Sarah Chandler

Sarah Chandler (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 April 2019

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	5	15,636,338	21,717,446
Administrative expenses		<u>(18,287,243)</u>	<u>(20,358,345)</u>
Operating (loss)/profit	7	(2,650,905)	1,359,101
Other income		131,420	-
Income from investments		141,853	146,390
Realised gain on investments		249,979	39,629
Interest receivable and similar income	9	22,101	20,549
Interest payable and similar expenses	9	<u>(69,980)</u>	<u>-</u>
(Loss)/profit before taxation		(2,175,532)	1,565,669
Tax on loss/(profit)	10	<u>274,488</u>	<u>(381,787)</u>
(Loss)/profit for the financial year		<u>(1,901,044)</u>	<u>1,183,882</u>

All activities are classed as continuing.

The notes on pages 16 to 32 form an integral part of these financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company Profit and Loss Account and Statement of Comprehensive Income. The profit for the Company for the year was £387,623 (2017: loss of £82,747).

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£	£
(Loss)/profit for the financial year		(1,901,044)	1,183,882
Other comprehensive (expense)/income:			
Foreign exchange translation difference on foreign subsidiary		<u>58,672</u>	<u>(143,909)</u>
Total comprehensive (expense)/income for the year		<u>(1,842,372)</u>	<u>1,039,973</u>

**CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible Assets	11	263,400	229,571
Investments	12	1,849,876	1,426,253
		<u>2,113,276</u>	<u>1,655,824</u>
CURRENT ASSETS			
Debtors	13	7,261,158	8,728,125
Cash at bank and in hand		2,245,508	6,423,293
		<u>9,506,666</u>	<u>15,151,418</u>
CREDITORS: amounts falling due within one year	14	(3,573,817)	(6,954,880)
		<u>5,932,849</u>	<u>8,196,538</u>
NET CURRENT ASSETS			
		<u>8,046,125</u>	<u>9,852,362</u>
Total assets less current liabilities			
		<u>8,046,125</u>	<u>9,852,362</u>
Provisions for liabilities	15	(204,100)	(167,966)
		<u>7,842,025</u>	<u>9,684,396</u>
CAPITAL AND RESERVES			
Called up share capital	17	263	263
Share premium account	18	4,999,900	4,999,900
Profit and loss account		3,119,406	5,020,450
Foreign currency translation reserve		(277,544)	(336,217)
Total equity		<u>7,842,025</u>	<u>9,684,396</u>

The notes on pages 17 to 33 form an integral part of these financial statements.
The financial statements on pages 10 to 33 were approved by the Board of Directors on 10 April 2019 and signed on their behalf by



Paul Campbell
Director
Company number 4788155

CAIRN CAPITAL GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible Assets	11	263,400	199,678
Investments in subsidiaries	12	2,224,717	2,224,717
Other Investments	12	1,849,876	1,426,253
		<u>4,337,993</u>	<u>3,850,648</u>
CURRENT ASSETS			
Debtors	13	5,921,508	5,498,024
Cash at bank and in hand		323,804	3,056,422
		<u>6,245,312</u>	<u>8,554,446</u>
CREDITORS: amounts falling due within one year	14	<u>(4,838,831)</u>	<u>(7,084,377)</u>
NET CURRENT ASSETS		1,406,481	1,470,069
Total assets less current liabilities		5,744,474	5,320,717
Provisions for liabilities	15	(204,100)	(167,966)
		<u>5,540,374</u>	<u>5,152,751</u>
CAPITAL AND RESERVES			
Called up share capital	17	263	263
Share premium account	18	4,999,900	4,999,900
Profit and loss account		540,211	152,588
Total equity		<u>5,540,374</u>	<u>5,152,751</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

The financial statements on pages 10 to 33 were approved by the Board of Directors on 10 April 2019 and signed on their behalf by



Paul Campbell
Director
Company number 4788155

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called-up share capital	Share premium account	Foreign exchange translation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	263	4,999,900	(192,308)	3,836,568	8,644,423
Profit for the financial year	-	-	-	1,183,882	1,183,882
Foreign exchange translation difference	-	-	(143,909)	-	(143,909)
At 31 December 2017	263	4,999,900	(336,217)	5,020,450	9,684,396
Loss for the financial year	-	-	-	(1,901,044)	(1,901,044)
Foreign exchange translation difference	-	-	58,673	-	58,673
At 31 December 2018	263	4,999,900	(277,544)	3,119,406	7,842,025

CAIRN CAPITAL GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called-up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	263	4,999,900	235,335	5,235,498
Loss for the financial year	-	-	(82,747)	(82,747)
At 31 December 2017	263	4,999,900	152,588	5,152,751
Profit for the financial year	-	-	387,623	387,623
At 31 December 2018	263	4,999,900	540,211	5,540,374

CAIRN CAPITAL GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

CASH FLOW STATEMENT	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,901,044)	1,183,882
<i>Adjustments for:</i>		
Depreciation, amortisation, fair value and impairment	120,362	(18,779)
Interest receivable and similar income	(22,101)	(20,549)
Interest payable and similar charges	69,980	-
Income from investments	(141,853)	(146,390)
Taxation	(274,488)	381,787
Foreign exchange differences	332,741	(275,971)
Movement in provisions	36,134	-
(Increase)/decrease in debtors	1,466,967	(1,009,798)
Increase/(decrease) in creditors	(5,381,063)	3,311,777
Cash (outflow)/inflow from operations	(5,694,365)	3,405,959
Income tax paid	(234,617)	(110,277)
Net cash (used in)/generated from operating activities	(5,928,982)	3,295,682
Cash flows from investing activities		
Purchase of tangible assets	(163,315)	(217,643)
Payments to acquire investments	(415,000)	(225,000)
Proceeds from sale of investments	235,538	-
Proceeds from investments	141,853	146,390
Interest received	22,101	20,549
Net cash used in investing activities	(178,823)	(275,703)
Cash flows from financing activities		
Drawdown of shareholder loan	2,500,000	-
Repayment of shareholder loan	(500,000)	-
Interest paid	(69,980)	-
Net cash generated from financing activities	1,930,020	-
Net (decrease)/increase in cash and cash equivalents	(4,177,785)	3,019,979
Cash and cash equivalents at the beginning of the year	6,423,293	3,403,314
Cash and cash equivalents at the end of the year	2,245,508	6,423,293

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12 (b) not to present the Company statement of cash flow.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

The Group is a full-service credit asset manager and investment advisor delivering a broad range of credit market services to clients and investors encompassing pension funds, insurance companies, banks, money managers, corporates, funds of funds and high net worth individuals. Cairn Capital Group Limited ("the Company") is a private company limited by shares and incorporated and domiciled in England. The Group has an office in the UK with a registered address of 27 Knightsbridge, London SW1X 7LY with investors and clients globally.

2 STATEMENT OF COMPLIANCE

The Group and individual financial statements of Cairn Capital Group Limited have been prepared in compliance with 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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 profit for the year, after taxation, was a profit of £387,623 (2017: loss of £82,747) 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.

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. 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.

The financial statements are presented in pound sterling (£) and rounded to the nearest pound.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Exemptions for qualifying entities under FRS 102

The 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. FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3 ACCOUNTING POLICIES (*continued*)

Exemptions for qualifying entities under FRS 102 (continued)

The following exemptions available under FRS 102 in respect of certain disclosures for the Company's 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 statement of cash flows has not been presented as the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows; and
- Key Management Personnel compensation has not been included.

Basis of consolidation

The consolidated financial statements include the results of the Company and of its subsidiary undertakings for the year ended 31 December 2018. 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 Group has established an Employee Benefit Trust ("EBT") and is the sponsoring entity. Notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entity. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

Revenue

Revenue 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.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3 ACCOUNTING POLICIES (*continued*)

Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. 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 less accumulated impairment 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.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the assets.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discounted rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluations. Thereafter any excess is recognised in profit or loss.

Basic financial instruments - Financial assets/liabilities

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.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3 ACCOUNTING POLICIES (*continued*)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

Derecognition

Financial assets are derecognised when either (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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 re-measurement to fair value is recognised immediately in profit or loss.

Provisions

A provision is recognised in the balance sheet when the Group 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 measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

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.

**CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

ACCOUNTING POLICIES (*continued*)

Taxation (continued)

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

Foreign currencies

The Group's functional and presentation currency is the pound sterling.

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. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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.

Employee benefits

Defined contribution pension plan

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.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Annual bonus plan

The Group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

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 a rent free periods has been received on the office in UK.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4 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 £7,842,025 (2017: £9,684,396) 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 from the date when the financial statements are authorised for issue. As such the going concern assumption remains appropriate and the financial statements have been prepared on that basis.

5 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. Total turnover for the year was £15,636,338 (2017: £21,717,446).

6 SEGMENTAL REPORTING

As noted in note 3, the Directors consider income from investment management services to be the only business segment. Until 2018 the Group operated 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 2018 £	USA 2018 £	Total 2018 £	UK 2017 £	USA 2017 £	Total 2017 £
Turnover	14,952,601	683,737	15,636,338	20,839,428	878,018	21,717,446
(Loss)/profit before taxation	(2,048,513)	(127,019)	(2,175,532)	2,232,072	(666,403)	1,565,669
Net assets	6,288,403	1,553,622	7,842,025	8,063,942	1,620,454	9,684,396

7 OPERATING PROFIT

	Notes	2018 £	2017 £
Operating profit is stated after charging/(crediting):			
Depreciation of owned tangible assets		129,617	92,578
Operating lease rentals		1,015,157	990,900
Foreign exchange losses/(gains)		35,284	(12,610)
Fees payable to the Company's auditors and its associates for the audit of the parent Company and the Group's consolidated financial statements		37,525	36,432
Fees payable to the Company's auditors and its associates for other services:			
Audit of the Company's subsidiaries		49,480	48,038
Audit-related assurance services		8,690	8,437
Audit services for Group Reporting		-	15,000
Other services relating to controls reports		94,705	88,500
Total amount payable to the Company's auditors and its associates		190,400	196,407

Staff costs are shown in Note 8

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8 EMPLOYEES AND DIRECTORS - GROUP

Total staff costs	2018	2017
	£	£
Wages and salaries	8,439,080	11,246,719
Social security costs	1,499,003	1,381,527
Pension costs	503,595	287,552
	<u>10,441,678</u>	<u>12,915,798</u>

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 provider. Pension payments recognised as an expense during the year amount to £503,595 (2017: £287,552).

Average number of employees during the year	Number	Number
Marketing and Structuring	16	14
Portfolio Management	15	15
Research	5	6
Middle-Office, Support and Administration	19	19
Legal	4	4
	<u>59</u>	<u>58</u>

Directors' emoluments	2018	2017
	£	£
Aggregate emoluments	1,211,285	1,755,222
Aggregate contributions to a money purchase pension scheme	<u>46,310</u>	<u>36,838</u>

During the year retirement benefits accrued to four (2017: four) directors under a defined contribution money purchase pension scheme.

	2018	2017
	£	£
Highest paid director:		
Emoluments	355,853	395,311
Contributions to a money purchase pension scheme	<u>19,250</u>	<u>9,278</u>

Key management compensation

Key management includes directors and members of senior management

	2018	2017
	£	£
Aggregate emoluments	2,708,752	4,205,509
Aggregate contributions to a money purchase pension scheme	<u>101,543</u>	<u>83,049</u>
	<u>2,810,295</u>	<u>4,288,558</u>

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9 NET INTEREST INCOME

<i>Interest receivable and similar income</i>	2018	2017
	£	£
Bank interest received	6,989	3,682
Other interest	15,112	16,867
Total Interest receivable and similar income	22,101	20,549

<i>Interest payable and similar expenses</i>	2018	2017
	£	£
Interest expense on loans	(67,287)	-
Other interest expense	(2,693)	-
Total Interest payable and similar expenses	(69,980)	-

Net interest income	2018	2017
	£	£
Interest receivable and similar income	22,101	20,549
Interest payable and similar expenses	(69,980)	-
Net interest income	(47,879)	20,549

10 TAX ON PROFIT

	2018	2017
	£	£
Analysis of charge in year		
Current tax:		
Corporation tax on (loss)/profits of the year	38,325	303,349
Prior year adjustment	(95,131)	(3,690)
	<u>(56,806)</u>	<u>299,659</u>
Deferred tax:	(217,682)	82,128
Tax on (loss)/profit	<u>(274,488)</u>	<u>381,787</u>

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10 TAX ON PROFIT

Factors affecting tax charge for year	2018	2017
	£	£
(Loss)/profit before taxation	(2,175,532)	1,565,669
Standard rate of corporation tax in the UK	19.00%	19.25%
(Loss)/profit multiplied by the standard rate of corporation tax	(413,351)	301,352
Tax effects of:		
Expenses disallowable for tax purposes	(13,039)	(22,348)
Amounts charged directly to STRGL	27,488	-
Profits taxed at different rates due foreign subsidiary	-	61,333
Current year R&D tax claim	(15,980)	7,814
Fixed asset timing difference	58	85
Prior year adjustment	(58,391)	(3,501)
Adjustment to losses	163,370	31,209
Deferred tax not recognised	7,394	2,112
Adjust deferred tax rate	27,963	3,731
Total tax (credit)/charge for year	(274,488)	381,787

Deferred tax asset	2018	2017
	£	£
Opening balance	75,840	157,968
Credit/(debit) to P&L during the year	217,682	(82,128)
Closing balance	293,522	75,840

The deferred tax balance is made up as follows:

Fixed asset timing differences	5,244	22,778
Unrelieved tax losses in CCGL	-	39,068
Unrelieved tax losses in CCL	246,127	-
Unrelieved tax losses in CCNA	24,134	-
Short term timing differences	9,191	3,697
Transition adjustment	8,826	10,297
Total deferred tax asset	293,522	75,840

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11 TANGIBLE ASSETS – GROUP

	Leasehold Improvements	Fixtures, Fittings and Equipment	Office Equipment	Total
	£	£	£	£
Cost:				
At 1 January 2018	1,063,552	287,366	878,661	2,229,579
Disposal	(23,771)	(41,383)	(111,865)	(177,019)
Additions	-	15,536	147,780	163,316
FX on b/fwd balance	598	1,262	3,109	4,969
At 31 December 2018	1,040,379	262,781	917,685	2,220,845
Accumulated depreciation:				
At 1 January 2018	1,034,283	266,476	699,249	2,000,008
Disposal	(12,282)	(28,963)	(109,051)	(150,296)
Charge for the year	7,337	5,629	90,494	103,460
FX on b/fwd balance	280	916	3,077	4,273
At 31 December 2018	1,029,618	244,058	683,769	1,957,445
Net book value				
At 31 December 2018	10,761	18,723	233,916	263,400
At 31 December 2017	29,270	20,889	179,412	229,571

TANGIBLE ASSETS – COMPANY

	Leasehold Improvements	Fixtures, Fittings and Equipment	Office Equipment	Total
	£	£	£	£
Cost:				
At 1 January 2018	1,040,379	247,245	779,807	2,067,431
Disposal	-	-	(9,901)	(9,901)
Additions	-	15,536	147,779	163,315
At 31 December 2018	1,040,379	262,781	917,685	2,220,845
Accumulated depreciation:				
At 1 January 2018	1,024,555	240,887	602,311	1,867,753
Disposal	-	-	(8,410)	(8,410)
Charge for the year	5,063	3,171	89,868	98,102
At 31 December 2018	1,029,618	244,058	683,769	1,957,445
Net book value				
At 31 December 2018	10,761	18,723	233,916	263,400
At 31 December 2017	15,824	6,358	177,496	199,678

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12 INVESTMENTS – GROUP

	Other investments £	Total £
At 1 January 2018	1,426,253	1,426,253
Additions during the year	879,294	879,294
Disposals during the year	(588,533)	(588,533)
Change in value during the year	132,862	132,862
At 31 December 2018	<u>1,849,876</u>	<u>1,849,876</u>

INVESTMENTS – COMPANY

	Other investments £	Shares in subsidiary undertakings £	Total £
At 1 January 2018	1,426,253	2,224,717	3,650,970
Additions during the year	879,294	-	879,294
Disposals during the year	(588,533)	-	(588,533)
Change in value during the year	132,862	-	132,862
At 31 December 2018	<u>1,849,876</u>	<u>2,224,717</u>	<u>4,074,593</u>

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%

All United Kingdom incorporated companies have a registered address of 27 Knightsbridge, London, SW1X 7LY.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER INVESTMENTS – GROUP AND COMPANY

	Cairn Special Opportunities Credit Fund £	Cairn Capstone Special Opportunities Credit Fund	Cairn Strata Credit Fund	Cairn Loan Investments LLP	Oneida Limited	Total £
Value:						
At 1 January 2018	441,160	0	227,055	752,204	5,834	1,426,253
Additions during the year	0	479,294	400,000	0	0	879,294
Disposals during the year	(464,294)	0	(118,405)	0	(5,834)	(588,533)
Change in value during the year	23,134	2,902	2,626	104,200	0	132,862
At 31 December 2018	<u>0</u>	<u>482,196</u>	<u>511,276</u>	<u>856,404</u>	<u>0</u>	<u>1,849,876</u>
Value:						
At 31 December 2018	<u>0</u>	<u>482,196</u>	<u>511,276</u>	<u>856,404</u>	<u>0</u>	<u>1,849,876</u>
At 31 December 2017	<u>441,160</u>	<u>0</u>	<u>227,055</u>	<u>752,204</u>	<u>5,834</u>	<u>1,426,253</u>

**CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Under FRS 102 the Company is required to carry its investments at fair value where a fair value can be determined. Where a fair value cannot be determined, the Company is required to carry its investments at cost less impairment.

As at 31 December 2018 the Company has performed a review of its investments to determine their correct carrying value.

Cairn Special Opportunities Credit Fund/ Cairn Capstone Special Opportunities Credit Fund

In October 2018 it was agreed that the assets of Cairn Special Opportunities Credit Fund would be transferred to a new fund Cairn Capstone Special Opportunities Credit Fund. As such it was agreed that the Company's investment in Cairn Special Opportunities Credit Fund would be transferred to an investment in Cairn Capstone Special Opportunities Credit Fund. A further investment of £15,000 was made into Cairn Capstone Special Opportunities Credit Fund in November 2018. The fair value of the holding in Cairn Capstone Special Opportunities Credit Fund as at 31 December 2018 was £482,196. Any change in value during the year has been recognised in the profit and loss account for the year.

Cairn Strata Credit Fund

In May 2018 the Company made an additional investment of £400,000 into Cairn Strata Credit Fund whilst also redeeming £75,837 of the holding to fund employee deferred awards that had vested. A further £42,569 was redeemed in September 2018. The fair value of the holding as at 31 December 2018 was £511,276. Any change in value during the year has been recognised in the profit and loss account for the year.

Cairn Loan Investments LLP

As at 31 December 2018 the value of the €1m that the Company has invested in Cairn Loan Investments LLP was valued at £856,404. Any change in value during the year has been recognised in the profit and loss account for the year.

Oneida Limited

In November 2018 it was agreed that Oneida Limited would be liquidated and the assets of the company were distributed to shareholders. As such at 31 December 2018 the Company has no further interest in Oneida Limited.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13 DEBTORS – GROUP

	2018	2017
	£	£
Trade debtors	3,162,601	2,983,777
Other debtors	1,865,940	1,473,715
Prepayments and accrued income	2,232,617	4,270,633
	<u>7,261,158</u>	<u>8,728,125</u>
Includes amounts due after more than one year as follows:		
Other debtors	890,267	890,267
	<u>890,267</u>	<u>890,267</u>

DEBTORS – COMPANY

	2018	2017
	£	£
Trade debtors	1,012,007	812,656
Amounts owed by group undertakings	2,191,567	2,111,936
Other debtors	1,362,708	1,456,972
Prepayments and accrued income	1,355,226	1,116,460
	<u>5,921,508</u>	<u>5,498,024</u>
Includes amounts due after more than one year as follows:		
Amounts owed by group undertakings (note 17)	1,000,000	1,000,000
Other debtors	890,267	890,267
	<u>1,890,267</u>	<u>1,890,267</u>

Amounts owed by group undertakings (excluding amounts due after one year) are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR – GROUP

	2018	2017
	£	£
Financial liabilities	1,603	-
Shareholder loan	2,000,000	-
Trade creditors	367,858	523,152
Corporation tax	38,325	300,010
Other taxes and social security costs	625,078	698,306
Other creditors	4,078	-
Accruals and deferred income	536,875	5,433,412
	<u>3,573,817</u>	<u>6,954,880</u>

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR – COMPANY

	2018	2017
	£	£
Shareholder loan	2,000,000	-
Trade creditors	315,818	507,474
Amounts owed to group undertakings	1,408,249	3,824,377
Corporation tax	38,325	-
Other taxation and social security	580,020	667,627
Other creditors	4,194	-
Accruals and deferred income	492,225	2,084,899
	<u>4,838,831</u>	<u>7,084,377</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 PROVISIONS FOR LIABILITIES – GROUP AND COMPANY

	Holiday pay	Dilapidations	Total
		£	£
At 1 January 2018	37,466	130,500	167,966
Additions	30,100	43,500	73,600
Utilised	(37,466)	-	(37,466)
At 31 December 2018	<u>30,100</u>	<u>174,000</u>	<u>204,100</u>

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

16 SUBORDINATED LOANS – COMPANY

			2018	2017
			£	£
Loans not repayable within five years:				
	Dated	Interest Rate		
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.

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17 CALLED UP SHARE CAPITAL

	2018 No	2017 No	2018 £	2017 £
Allotted and fully paid:				
Ordinary A Shares of £0.005 each (2016: £0.005 each)	26,813	26,813	134	134
Ordinary B Shares of £0.005 each (2016: £0.005 each)	25,759	25,759	129	129
Equity share capital			<u>263</u>	<u>263</u>

There are two classes of ordinary shares (A shares and B shares). There are no restrictions on the distribution of dividends and the repayment of capital.

18 SHARE PREMIUM ACCOUNT

	2018 £	2017 £
Premium on ordinary shares	4,999,900	4,999,900
	<u>4,999,900</u>	<u>4,999,900</u>

19 CAPITAL COMMITMENTS – GROUP AND COMPANY

At 31 December 2018 the Group and the Company had no unrecorded capital commitments.

20 OTHER FINANCIAL COMMITMENTS – GROUP AND COMPANY

At the year end the Group and Company had the following minimum lease payments under non-cancellable operating leases in relation to office buildings for each of the following periods.

Payments due:

	Land and Buildings 2018 £	Land and Buildings 2017 £
Not later than one year	934,625	987,786
After one year but not more than five years	660,639	1,706,392
After five years	-	-
	<u>1,595,264</u>	<u>2,694,178</u>

CAIRN CAPITAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

21 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.

	2018	2017
	£	£
Financial assets measured at fair value through profit and loss	-	-
Financial liabilities measured at fair value through profit and loss	(1,603)	-
	<u>(1,603)</u>	<u>-</u>

The foreign currency forward contracts are not traded in active markets. These have been fair valued using the spot rate in force at the reporting date. As at 31 December 2018 the Group had open contracts to sell €750,000 within two months (2017: no open contracts).

22 RELATED PARTIES

At 31 December 2018 the Group was owed £2,964,368 (2017: £2,664,055) 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 financial statements. In addition the Group is also owed £200,561 (2017: £114,207) for expenses that it has cash settled on behalf of CLI, for which the Group will be reimbursed.

Cairn Capital Group Limited has a revolving shareholder loan facility of £20m from its parent company Mediobanca which has an annual interest rate of 8% and expires on 31 July 2019. As at 31 December 2018, there was £2m drawn down under the facility (2017; £0).

During the year the Group purchased software licences to the value of €88,519 (2017; €0) from Mediobanca Innovation Services S.C.p.A.. As at 31 December 2018 the amount was fully paid.

During the year the Group purchased insurance policies to the value of £41,134 (2017; £0) from Assicurazioni Generali S.p.A.. As at 31 December 2018 the amount was fully paid.

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

23 ULTIMATE PARENT UNDERTAKING

At 31 December 2018 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>).

24 EVENTS AFTER THE BALANCE SHEET DATE

On 8 March 2019, the Company acquired a further 1,000,000 ordinary shares in Cairn Capital Limited for the consideration of £1,000,000.

On 5 April 2019 the Company entered into an intercompany loan agreement with Mediobanca S.P.A. under which the Company can draw down up to £10m of capital. Any drawdown cannot be called within 5 years.