

**CAMBRIDGE ASSOCIATES LIMITED**

**Registered number: 06135829**

**Group Financial Statements  
For the year ended 31 December 2018**

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# **CAMBRIDGE ASSOCIATES LIMITED**

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**CAMBRIDGE ASSOCIATES LIMITED**  
**Registered number 06135829**  
**Strategic report for the year ended 31 December 2018**

The directors present their strategic report on the affairs of Cambridge Associates Limited (the "Company" or the "Parent Company") and its wholly owned subsidiary, Brook Street Limited, (collectively referred to as the "Group") for the year ended 31 December 2018.

**Principal activities**

The principal activity of the Group is to provide investment services and research to professional clients and other Group entities. The services are primarily discretionary investment management, investment advisory, investment consultancy, research and information services. The directors do not see any material change in the nature of this activity going forward. The directors intend to continue to focus on developing the expertise in the Group in order to give the best possible environment to further that growth. It is the directors' opinion that there are no significant risks or uncertainties facing the Group other than the general risks that are inherent in its business.

The Group is authorized and regulated by the Financial Conduct Authority ("FCA").

**Business review and future developments**

Group turnover for the year ended 31 December 2018 was £42.5 million, an increase of 4.4% over the 2017 turnover. The growth in turnover was primarily due to strong business trends from new clients and expanded services, offset by a combination of terminations and service drops.

The Group continues to focus on helping clients with their individual needs with particular focus on their longer term goals and investment objectives. As such, in order to best service our clients' needs, staffing levels were increased during 2018.

Additionally, in order for the Group to access mutual research, talent and resources for providing successful investment advice to its clients and supporting a global operating model, the Group has a service agreement with related parties in the United States, Singapore, Australia, and China. The organizations share and fully utilize resources across its worldwide organizations following a residual profit sharing methodology with terms consistent with an arm's length transaction. The directors believe that this agreement benefits the Group. As a result, the Group recognizes related party revenue and expense in accordance with the agreement.

Looking ahead, the directors continue to focus on business development, to deepen relationships with existing clients, and to expand the Group's scope and capabilities consistent with the increased depth of research, markets, managers, and best practices.

**Key Performance Indicators ("KPI's")**

Throughout the year, the directors monitor KPI's for the Group, which include ratios illustrating the growth of revenue, expenses and profit for the financial year, which the Group defines as the change in current year balance from prior year divided by prior year balance.

Group profit for the financial year ended 31 December 2018 is £5.2 million, which is down 16% compared to the 2017 profit for the financial year. As set out in the business review and future developments section, Group turnover for the year ended 31 December 2018 is £42.5 million, an increase of 4.4% over the 2017 turnover. Group administrative expenses for the year ended 31 December 2018 were £36.1 million, an increase of 9.7% from the 2017 administrative expenses primarily driven by increases in staff costs and transfer pricing expense.

## **CAMBRIDGE ASSOCIATES LIMITED**

**Registered number 06135829**

**Strategic report for the year ended 31 December 2018 (continued)**

### **Financial risk management**

The Group is subject to operational and financial risks. Financial risks include market risk, credit risk and liquidity risk, which make up the principal financial risks and uncertainties facing the Group. The Group does not use derivative financial instruments and does not apply hedge accounting. The Group is committed to a business strategy which supports the proactive identification and assessment of risk, and uses risk information to enhance informed decision making and develop appropriate mitigation strategies. The directors monitor risks associated with the Group and work closely with the risk management department to identify potential risks and deal with them. The Group has access to various oversight functions which provide an independent perspective to assist senior management with establishing policies and procedures for effective control and risk management. These functions include a global enterprise risk management department and the Group's compliance department.

### **Market risk**

The Group is exposed to various types of market risk. Price risk exists indirectly as components of revenue are driven by values of advised assets and hence the fair market value of clients' assets. Interest rate risk applies to cash and deposits with the Group's banks, which are subject to daily interest rate variances. Foreign exchange rate risk exists on revenues derived from foreign denominated assets. Interest rate risks are managed actively and pricing risk is managed through regular monitoring of the advised assets and active cost control.

### **Credit risk**

The Group has implemented client acceptance policies that include an assessment of asset values, financial stability and credit worthiness. This policy limits the potential for large overdue accounts and bad debts. Cash balances are held only with banks with which the Group has strong, well-established relationships.

### **Liquidity risk**

The liquidity risk policy requires the Group to maintain a framework for the management of liquidity risk which ensures that the Group has sufficient surplus liquid resources to meet operational, legal and regulatory requirements. Authority is delegated by the Group to the Chief Financial Officer to carry out the day-to-day monitoring, management and reporting of the Group liquidity, ensuring that it complies at all times with Group regulatory and other requirements.

The Group's Chief Compliance Officer has been appointed to review the risk management policy, ensuring that the liquidity risk management policy is coordinated and integrated within the Group.

The Group is required to maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. As the Group holds a substantial amount of its assets in cash and short term investments, there should be minimal risk of its ability to meet the overall liquidity adequacy requirement.

The Group's liquid resources including cash and short term investment balances at 31 December 2018 were £17.3 million (£15.3 million for 2017). The directors consider the liquidity sufficient to cover the financial risk.

**CAMBRIDGE ASSOCIATES LIMITED**

**Registered number 06135829**

**Strategic report for the year ended 31 December 2018 (continued)**

**Results**

The Group and Parent Company profit and loss accounts for the year are set out on page 10. The results for the year and the financial position at the year-end were considered to be satisfactory by the directors. The level of business is satisfactory and the directors expect this level of activity to be sustained in the foreseeable future.

On behalf of the board



Christopher Hunter  
Director  
25 April 2019

Registered office  
80 Victoria Street  
Cardinal Place  
London SW1E 5JL

## **CAMBRIDGE ASSOCIATES LIMITED**

**Registered number 06135829**

**Directors' report for the year ended 31 December 2018**

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2018. This report should be read in conjunction with the Strategic report set out on pages 2-4.

### **Future Developments**

Future developments in the business of the Company and Group are discussed in the strategic report on page 2.

### **Dividends**

The directors have recommended and paid the following dividends: £3,167,000 for the year ended 31 December 2018 (£7,505,000 for 2017).

### **Directors**

The directors of Cambridge Associates Limited during the year and up to the date of signing the financial statements were:

David Druley  
Christopher Hunter  
Christopher Ivey

The directors benefited from the qualifying third party indemnity provisions in place during the financial year and up to the date of this report.

### **Capital Requirements Directive — Disclosure Policy**

The Financial Conduct Authority ("FCA") (formerly the FSA) rules allow the Company to omit certain disclosures if the Company believes that the information is immaterial or where the Company believes that the information is proprietary or confidential. The Company has made no omissions on the grounds that the disclosures are immaterial, proprietary or confidential.

The Company makes Pillar 3 disclosures annually. The disclosures are as at the Accounting Reference Date ("ARD") and are published on the Company website.

The directors have determined that the Company's Remuneration Structures are consistent with and promote sound and effective risk management and do not pose a risk to the Company. In accordance with the rules of the FCA, it is the intention of the directors to comply with the FCA Remuneration Code disclosures. This information is available at:  
<http://www.cambridgeassociates.com/locations/london-uk/>.

### **Financial risk management**

Information on management of financial risk by the Group is disclosed in Note 3 to the financial statements and the strategic report.

### **Political and charitable contributions**

The Group made no disclosable political or charitable donations or incurred any disclosable political expenditures during 2018 and 2017.

## **CAMBRIDGE ASSOCIATES LIMITED**

**Registered number 06135829**

**Directors' report for the year ended 31 December 2018 (continued)**

### **Creditor payment policy**

It continues to be the Group's policy to honour all of its contractual commitments and this includes paying suppliers according to agreed terms of payment.

The number of creditor days in relation to trade creditors outstanding at the year end was 10 and 9 for the years ended 31 December 2018 and 2017, respectively.

### **Disclosure of information to auditors**

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's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### **Independent auditors**

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

### **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 and parent company 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 parent company and of the profit or loss of the group and parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**CAMBRIDGE ASSOCIATES LIMITED**

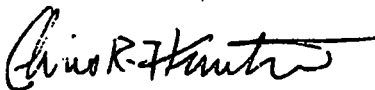
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Directors' report for the year ended 31 December 2018 (continued)

**Statement of directors' responsibilities in respect of the financial statements (continued)**

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.

On behalf of the board



Christopher Hunter  
Director  
25 April 2019

Registered office  
80 Victoria Street  
Cardinal Place  
London SW1E 5JL



## ***Independent auditors' report to the members of Cambridge Associates Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Cambridge Associates 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 and the company's profit and the group's 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 Group Financial Statements (the "Annual Report"), which comprise: the Group and Parent Company Profit and Loss accounts for the year ended 31 December 2018; the Group and Parent Company Balance Sheets as at 31 December 2018; the Group Cash Flow Statement, and the Group 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.

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#### **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.

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#### **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 parent 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 parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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#### **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.

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.

## CAMBRIDGE ASSOCIATES LIMITED

### Independent auditors' report to the members of Cambridge Associates Limited (continued)

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 parent 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.

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#### **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 6, 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 parent 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 parent 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](http://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 parent 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.

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#### **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 parent 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 parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

  
Tina Ahuja (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 April 2019

**CAMBRIDGE ASSOCIATES LIMITED**  
**Group and Parent Company Profit and Loss Accounts**  
**For the year ended 31 December 2018**

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
Turnover	4	42,530	40,734	42,531	40,733
Administrative expenses		<u>(36,113)</u>	<u>(32,929)</u>	<u>(36,114)</u>	<u>(32,928)</u>
Operating profit		6,417	7,805	6,417	7,805
Interest receivable and similar income		84	38	85	38
Interest payable and similar charges		<u>(13)</u>	<u>(11)</u>	<u>(12)</u>	<u>(11)</u>
Net interest income	5	71	27	73	27
Profit on ordinary activities before taxation	6	6,488	7,832	6,490	7,832
Tax on profit on ordinary activities	9	<u>(1,267)</u>	<u>(1,604)</u>	<u>(1,267)</u>	<u>(1,604)</u>
Profit for the financial year		<u>5,221</u>	<u>6,228</u>	<u>5,223</u>	<u>6,228</u>

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the financial years and its historic cost equivalent. All profit and loss items have been derived from continuing operations.

There are no recognized gains or losses other than those included in the results above, and therefore, no separate statement of comprehensive income has been presented.

The accompanying notes from page 14 to 27 form an integral part of these financial statements.

**CAMBRIDGE ASSOCIATES LIMITED**  
**Group and Parent Company Balance Sheets**  
**As at 31 December 2018**

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
<b>Fixed assets</b>					
Tangible assets	11	1,058	1,027	1,058	1,027
<b>Current assets</b>					
Debtors	12	10,886	8,087	10,893	8,088
Other investments	13	9,640	6,326	9,640	6,326
Cash at bank and in hand		7,644	8,952	7,634	8,950
		<u>28,170</u>	<u>23,365</u>	<u>28,167</u>	<u>23,364</u>
Creditors: amounts falling due within one year	14	(21,974)	(19,195)	(21,971)	(19,194)
Net current assets		<u>6,196</u>	<u>4,170</u>	<u>6,196</u>	<u>4,170</u>
Total assets less current liabilities		<u>7,254</u>	<u>5,197</u>	<u>7,254</u>	<u>5,197</u>
Creditors: amounts falling due after more than one year	15	(411)	(408)	(411)	(408)
Net assets		<u>6,843</u>	<u>4,789</u>	<u>6,843</u>	<u>4,789</u>
<b>Capital and reserves</b>					
Called up share capital	16	50	50	50	50
Share premium account	17	2,526	2,526	2,526	2,526
Profit and loss account	17	4,267	2,213	4,267	2,213
Total shareholder's funds		<u>6,843</u>	<u>4,789</u>	<u>6,843</u>	<u>4,789</u>

The accompanying notes from page 14 to 27 form an integral part of these financial statements.

The financial statements on pages 10 to 27 were approved by the board of directors on 25 April 2019 and were signed on its behalf by:



Christopher Hunter  
Director

**CAMBRIDGE ASSOCIATES LIMITED**  
**Group Cash Flow Statement**  
**For the year ended 31 December 2018**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Cash flows from operating activities</b>		
Profit on ordinary activities before taxation	6,488	7,832
Adjustments for:		
Bad debt expense	-	(94)
Depreciation of tangible assets	318	336
Interest received	(84)	(42)
Amortization of lease incentives	(121)	(125)
(Increase) / Decrease in debtors	(2,791)	1,271
Increase in creditors	3,229	1,149
<b>Cash from operations</b>	<b>7,039</b>	<b>10,327</b>
Income taxes paid	(1,753)	(1,154)
<b>Net cash generated from operating activities</b>	<b>5,286</b>	<b>9,173</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(164)	(11)
Interest received	84	42
Purchase of other investments	(3,314)	(2,238)
<b>Net cash used in investing activities</b>	<b>(3,394)</b>	<b>(2,207)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,167)	(7,505)
Capital lease payments	(33)	(35)
<b>Net cash used in financing activities</b>	<b>(3,200)</b>	<b>(7,540)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,308)</b>	<b>(574)</b>
Cash and cash equivalents at the beginning of the year	8,952	9,526
<b>Cash and cash equivalents at the end of the year</b>	<b>7,644</b>	<b>8,952</b>

The net cash at the end of the year balance is the same as the value of cash at bank and in hand.

All cash flows in the above statement have been derived from continuing operations.

The accompanying notes from page 14 to 27 form an integral part of these financial statements.

**CAMBRIDGE ASSOCIATES LIMITED**  
**Group Statement of Changes in Equity**  
**For the year ended 31 December 2018**

	Note	Called up share capital £000	Share premium account £000	Equity settled option account £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2017		50	2,526	-	3,490	6,066
Profit for the financial year		-	-	-	6,228	6,228
Dividends paid to equity holders	10	-	-	-	(7,505)	(7,505)
Equity settled option cost	20	-	-	271	-	271
Capital contribution	20	-	-	(271)	-	(271)
At 31 December 2017		50	2,526	-	2,213	4,789
Profit for the financial year		-	-	-	5,221	5,221
Dividends paid to equity holders	10	-	-	-	(3,167)	(3,167)
Equity settled option cost	20	-	-	283	-	283
Capital contribution	20	-	-	(283)	-	(283)
At 31 December 2018		50	2,526	-	4,267	6,843

The accompanying notes from page 14 to 27 form an integral part of these financial statements.

## **CAMBRIDGE ASSOCIATES LIMITED**

**Notes to the financial statements for the year ended 31 December 2018**

**Amounts are shown in £000s**

### **1 Company Information**

Cambridge Associates Limited (the "Company" or the "Parent Company") is an investment adviser that was formed on 5 March 2007 as a corporation under the laws of the United Kingdom ("UK"). The Company is a wholly owned subsidiary of Cambridge Associates Limited, LLC ("CA LTD LLC"). A wholly owned subsidiary of the Company is Brook Street Limited (collectively referred to as the "Group"). The registered office of the Company is 80 Victoria Street, Cardinal Place, London SW1E 5JL.

CA LTD LLC is a wholly owned subsidiary of Cambridge Associates LLC ("CA LLC").

### **2 Statement of compliance**

The Group and Parent Company financial statements 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 the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3 Summary of significant accounting policies**

#### **(a) Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, except as modified for other investments which are measured at fair value.

#### **(b) FRS 102**

Financial statements for the years ended 31 December 2018 and 2017 comply with FRS 102.

#### **(c) Exemptions for qualifying entities under FRS 102**

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 shareholder.

The Company has taken advantage of the exemption from preparing a statement of cash flows in its individual financial statements, on the basis that it is a qualifying entity.

#### **(d) Basis of consolidation**

The Group profit and loss account, Group balance sheet and Group cash flow statement include the financial statements of the Parent Company and its wholly owned subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity controlled by the Parent Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal accounting policies have been applied consistently to the Group and Parent Company. The results are included in the consolidated profit and loss account up to, or from, the date control passed. Intra-group sales and profits are eliminated fully on consolidation.

## **CAMBRIDGE ASSOCIATES LIMITED**

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

### **3 Summary of significant accounting policies (continued)**

#### **(e) Turnover**

The majority of the Group's turnover is derived from fees for investment advisory services provided to institutional and other clients in the normal course of business, exclusive of Value Added Tax and similar taxes. Any fees billed in advance are deferred and recognized as income over the period earned. In addition, service contracts also exist based on time and materials incurred. The turnover related to these contracts is recognized as services are provided.

#### **(f) Foreign currencies**

Transactions of the Group in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The consolidated financial statements are presented in pounds sterling, which is the Group's presentational and functional currency.

#### **(g) Tangible fixed assets and depreciation**

Tangible fixed assets are shown in the balance sheet at historic cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives on a straight-line basis as follows:

Leasishold improvements	Remaining life of the lease
Furniture and equipment	10 years
Equipment leased under capital leases	Life of the lease
Computer equipment and software	3 years

#### **(h) Trade debtors**

Debtors are recorded at the invoiced amount and do not bear interest. Unbilled receivables represent estimated fees for work in progress. The impairment provision account reflects management's best estimate of probable losses inherent in the debtors balance. Management determines the impairment provision based on known troubled accounts, historical experience, and other currently available evidence.

#### **(i) Other investments**

The Group considers all highly liquid debt instruments with original maturities of greater than three months to be other investments and are measured at fair value. Fair value is determined using publicly traded prices.

#### **(j) Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less at the balance sheet date. Cash and cash equivalents is composed solely of cash at bank and in hand.



## **CAMBRIDGE ASSOCIATES LIMITED**

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

### **3 Summary of significant accounting policies (continued)**

#### **(k) Trade creditors**

Creditors are recorded at the invoiced amount as received from suppliers. The amounts are paid as they come due.

#### **(l) Leases**

The Group leases certain office space under a long-term lease agreement. The lease covering the office facility expires in December 2021 and is classified as an operating lease. Amounts currently and previously expensed, for which payment was not yet due, are included within 'Creditors: amounts falling due within one year' on the balance sheet. Operating lease rentals are charged to administrative expenses on a straight line basis over the period of the lease.

#### **(m) Unit option compensation**

CA LLC grants options to certain employees of the Group that give the holders the right to purchase units of CA LLC at a price determined on the grant date. The Group recognises an expense in relation to the services received by the employees of the Group. The fair value of the grant options at the date of the grant are expensed on a straight line basis over the vesting period, with a corresponding credit to equity reflecting the equity settled option cost from CA LLC. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

The Group is required to make a payment to CA LLC, the entity that is responsible for settling the unit options granted. This reflects a return of capital in the statement of changes in equity.

#### **(n) Post-retirement benefits**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **(o) Taxation**

Corporation tax is provided on taxable profits at the current rate. The charge for taxation is based on the profit for the financial year.

Deferred tax is recognized in respect of all material timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognized as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

## **CAMBRIDGE ASSOCIATES LIMITED**

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

### **3 Summary of significant accounting policies (continued)**

#### *(p) Share capital*

The Group's capital structure consists of 50,000 (2017: 50,000) ordinary shares authorized and outstanding with a par value of £1 per share as of 31 December 2018 and 2017. The Parent Company's investment in Brook Street Limited is one common share with a par value of US\$1.

#### *(q) Reserves*

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. Profit and loss account includes all current and prior period retained profits and losses. Equity settled option account consists of CA LLC unit options granted to employees of the Group.

#### *(r) Financial risk management*

The Group has assessed the adequacy of capital and liquidity resources based on all risks to which the Group is exposed in the course of its Internal Capital Adequacy Assessment Process (ICAAP). The risk review includes an assessment of risks and the controls in place to mitigate such risks. The directors have determined that the risks are acceptable.

*Operational risk:* Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and IT systems, employee errors, or from external events, including legal risk. The Group seeks to minimize operational risk via internal controls and the Cambridge Associates group's professional indemnity insurance cover.

*Credit risk:* The Group manages credit risk with regards to uncollectible receivables by recording an allowance for doubtful accounts which reflects management's best estimate of probable losses. The Group has no history of bad debts. The allowance for doubtful accounts is based on known troubled accounts, historical experience, and other currently available evidence. The Group is exposed to foreign currency exchange gains/losses since it conducts certain transactions that are denominated in a currency other than its functional currency.

*Business risk:* Principal risks are the loss of clients or a significant fall in the value of the assets of those clients who pay an asset-based fee. Various scenarios are modelled to assess the impact of adverse economic conditions on the Group's financial position.

*Market risk:* The Group is exposed to various types of market risk. Price risk exists indirectly as components of revenue are driven by values of advised assets and hence the fair market value of clients' assets. Interest rate risk applies to cash and deposits with the Group's banks, which are subject to daily interest rate variances. Foreign exchange rate risk exists on revenues derived from foreign denominated assets. Interest rate risks are managed actively and pricing risk is managed through regular monitoring of the advised assets and active cost control.

## CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

Amounts are shown in £000s

### 3 Summary of significant accounting policies (continued)

#### (s) Capital management

The Group maintains sufficient capital and liquidity to support its business through different market conditions and business cycles. The amount of required liquidity and adequacy of capital is assessed based on assumptions of stressed business conditions, including loss of clients, a reduced level of assets under advisement and economic downturns as well as the probable cost to wind down the business. The directors have also considered whether there are any contracts which are essential to the continuation of the business and have concluded that there are none. Based on the above, the directors have determined that the Group has adequate capital to withstand unexpected losses arising from these risks and no additional allocation of capital is necessary.

The Group's liquid resources include cash and short term investment balances of £17,284 at 31 December 2018 (£15,278 at 31 December 2017). The directors consider liquidity sufficient to cover the financial risk.

#### (t) Critical accounting judgements and estimation uncertainty

The Group and Parent Company's financial statements require the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of profits and losses during the years presented. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. There are no balances including a higher degree of judgement or estimation uncertainty that are significant to the financial statements.

#### (u) Investments – Subsidiary Company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

### 4 Turnover

	Group	
	2018 £000	2017 £000
Turnover	42,530	40,734
By geographical market		
Europe	29,531	26,933
Middle East & Africa	4,064	5,022
Caribbean	8,920	8,720
South America	15	59
	42,530	40,734

The Group's turnover is derived from investment advisory and associated services. Brook Street Limited's turnover is derived from its European funds, so the Parent Company's turnover split is materially consistent with that of the Group.

**CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

**5 Net interest income**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest income	84	38	84	38
Bank service charges	(13)	(11)	(12)	(11)
Net result / profit derived from wholly owned subsidiary	-	-	1	-
	<b>71</b>	<b>27</b>	<b>73</b>	<b>27</b>

**6 Profit on ordinary activities before taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation is stated after charging:		
Staff costs	19,184	17,646
Depreciation - Owned assets	318	336
Hiring of Building - operating lease	1,719	1,719
Auditors remuneration:		
Fees payable to the company auditors for the audit of Parent Company and consolidated financial statements	135	115
Fees payable to the Group's auditors and its associates for other services:		
Tax services	74	66
Other services pursuant to legislation	3	3

Within fees payable to the company auditors for the audit of the Parent Company and consolidated financial statements are audit fees recharged by the ultimate parent to the Group of £47 for the year ended 31 December 2018 (2017: £41).

**7 Staff costs**

The monthly average number of persons employed by the Group (including directors) during 2018 and 2017, analysed by category, was as follows:

	<b>2018</b>	<b>2017</b>
Global Investment Services	74	64
Global Research	19	18
Investment Services	13	18
Systems	2	1
Shared Services	22	12
	<b>130</b>	<b>113</b>

**CAMBRIDGE ASSOCIATES LIMITED****Notes to the financial statements for the year ended 31 December 2018 (continued)****Amounts are shown in £000s****7 Staff costs (continued)**

The aggregate payroll costs of these persons were as follows:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Wages and salaries	15,891	14,535
Unit option expense	283	271
Social security costs	1,947	1,879
Other pension costs	1,063	961
	<u>19,184</u>	<u>17,646</u>

Key management includes the directors employed by the Company and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Salaries and other short-term benefits	3,634	2,980
Post-employment benefits	321	234
	<u>3,955</u>	<u>3,214</u>

The highest paid director's compensation is shown below:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Salaries and other short-term benefits	811	530
Post-employment benefits	64	42
	<u>875</u>	<u>572</u>

**8 Directors emoluments**

David Druley, Christopher Hunter, and Christopher Ivey did not receive any incremental emoluments for their services as directors of the Company in 2018 or 2017.

**CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

**9 Tax on profit on ordinary activities***Group and Company:*

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Tax on profit on ordinary activities:</b>		
UK corporation tax on profits for the year	1,098	1,482
Adjustment in respect of prior years	6	-
Foreign tax on profits for the year	147	93
<b>Total tax on profit on ordinary activities</b>	<b>1,251</b>	<b>1,575</b>
<b>Deferred tax</b>		
Origination of timing differences	(17)	29
Adjustment in respect of prior years - deferred tax	33	-
<b>Total deferred tax</b>	<b>16</b>	<b>29</b>
<b>Total tax on profit on ordinary activities</b>	<b>1,267</b>	<b>1,604</b>

The tax for the year is higher (2017: higher) than the standard effective tax rate of corporate tax for the year ended 31 December 2018. The factors affecting the tax charge for the current year are as follows:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Total tax reconciliation:</b>		
Profit on ordinary activities before taxation	6,488	7,832
<b>Profit on ordinary activities before taxation multiplied by UK standard rate of corporation tax at 19.00% (2017: 19.25%)</b>	<b>1,233</b>	<b>1,508</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	105	123
Other timing differences	(71)	(27)
<b>Total tax charge</b>	<b>1,267</b>	<b>1,604</b>

**CAMBRIDGE ASSOCIATES LIMITED****Notes to the financial statements for the year ended 31 December 2018 (continued)****Amounts are shown in £000s****9 Tax on profit on ordinary activities (continued)**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Deferred tax</b>		
At 1 January	(45)	(16)
Adjustment in respect of prior years - deferred tax	(33)	-
Deferred credit/(charge) tax in profit and loss account for the year	<u>16</u>	<u>(29)</u>
At 31 December	<u>(62)</u>	<u>(45)</u>
<b>Components of deferred tax</b>		
Accelerated capital allowances	(97)	(80)
Bad debt provision	2	5
Performance reporting reserve	18	15
Unpaid pension contributions	<u>15</u>	<u>15</u>
	<u>(62)</u>	<u>(45)</u>

As presented on the profit and loss account, as of 31 December 2018, taxation includes current and deferred tax on profit for the year, as outlined above. The Group and Company profits for this accounting year are taxed at an effective rate of 19.00% (2017: 19.25%) for the year ended 31 December 2018.

**10 Dividends paid to equity holders***Group and Company:*

	<b>2018</b>	<b>2017</b>
Dividends paid in the financial year (£000)	3,167	7,505
Dividends paid per share (per £1 Share)	£63.34	£150.10

# CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

Amounts are shown in £000s

## 11 Tangible Assets

Group and Company:

	Leasehold Improvements £000	Furniture and Equipment £000	Computer Equipment and Software £000	Equipment leased under Capital Leases £000	Total £000
<b>Cost</b>					
At 1 January 2018	2,488	1,288	383	149	4,308
Additions	163	5	2	179	349
Disposals	-	(165)	(50)	(149)	(364)
At 31 December 2018	2,651	1,128	335	179	4,293
<b>Accumulated depreciation</b>					
At 1 January 2018	(1,768)	(1,028)	(336)	(149)	(3,281)
Change in the financial year	(201)	(57)	(32)	(28)	(318)
Disposals	-	165	50	149	364
At 31 December 2018	(1,969)	(920)	(318)	(28)	(3,235)
<b>Net book amount</b>					
At 1 January 2018	720	260	47	-	1,027
At 31 December 2018	682	208	17	151	1,058

## 12 Debtors

Amounts falling due within one year:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	4,424	4,819	4,422	4,418
Amounts owed by group undertakings	1	(7)	588	931
Other debtors and accrued income	5,458	2,332	4,866	1,782
Prepayments	1,003	943	1,017	957
	<u>10,886</u>	<u>8,087</u>	<u>10,893</u>	<u>8,088</u>

At 31 December 2018, trade debtors are stated after provisions for impairment of £12 (2017: £20) for the Group and £13 (2017: £21) for the Company. Amounts owed by group undertakings are interest-free, unsecured, and repayable in US dollars.

## 13 Other investments

Other investments consist of UK Government Treasury Bills and US Government Treasury Bills, which mature in six month increments. The investments held at the balance sheet date will mature in May 2019 and June 2019, respectively. (2017: February 2018).



# **CAMBRIDGE ASSOCIATES LIMITED**

Notes to the financial statements for the year ended 31 December 2018 (continued)

Amounts are shown in £000s

## **14 Creditors: amounts falling due within one year**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade creditors	204	161	203	160
Amounts owed to group undertakings	14,363	11,991	14,363	11,991
Other creditors	4,855	4,198	4,855	4,198
Taxation and social security	558	1,307	558	1,307
Accruals and deferred income	1,994	1,538	1,992	1,538
	<b>21,974</b>	<b>19,195</b>	<b>21,971</b>	<b>19,194</b>

Amounts owed to group undertakings are interest-free, unsecured and repayable in US dollars.

## **15 Creditors: amounts falling due after more than one year**

Group and Company:

	2018 £000	2017 £000
Other creditors	411	408

## **16 Called up share capital**

Group and Company:

	2018 £000	2017 £000
Authorised, allotted and fully paid 50,000 (2017: 50,000) ordinary shares of £1 nominal value	50	50

## **17 Reserves**

	Group			Company		
	Share premium account £000	Equity settled option account £000	Profit and loss account £000	Share premium account £000	Equity settled option account £000	Profit and loss account £000
At 1 January 2018	2,526	-	2,213	2,526	-	2,213
Profit for the financial year	-	-	5,221	-	-	5,221
Dividends	-	-	(3,167)	-	-	(3,167)
Equity settled option cost	-	283	-	-	283	-
Capital contribution	-	(283)	-	-	(283)	-
At 31 December 2018	<b>2,526</b>	<b>-</b>	<b>4,267</b>	<b>2,526</b>	<b>-</b>	<b>4,267</b>

## **CAMBRIDGE ASSOCIATES LIMITED**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**Amounts are shown in £000s**

### **18 Commitments**

The future aggregate minimum lease payments under a non-cancellable operating lease for the Group and Company's office space are as follows:

	<u>2018</u> <u>£000</u>	<u>2017</u> <u>£000</u>
No later than 1 year	1,719	1,719
Later than 1 year and no later than 5 years	3,438	5,157
Later than 5 years	-	-
Total	<u>5,157</u>	<u>6,876</u>

### **19 Pension plan**

The Group operates a defined contribution pension plan. The pension cost charge for the year ended 31 December 2018 and 2017 represents contributions payable by the Group to the plan and amounted to £1,063 and £961, respectively. At the end of the financial period 2018 and 2017, contributions amounting to £81 and £76 were payable to the plan and are included in creditors.

### **20 Unit option compensation**

CA LLC grants options to employees of the Group that give the holders the right to purchase units of CA LLC at a price determined on the grant date (the "Plan").

The Group recognises an expense in relation to the services received by the employees of the Group. The Group is unable to directly measure the fair value of employee services received. Instead, the fair value of the share options granted during the year is determined using the Black-Scholes model.

Compensation expense recognized in the financial statements with respect to the Plan was £283 and £271 during the years ended 31 December 2018 and 2017, respectively.

### **21 Related party disclosure**

Effective 1 January 2015, the Group entered into a Residual Profit Sharing Agreement (the "Agreement") with CA LLC, Cambridge Associates Limited and Subsidiary LLC ("CA LTD LLC"), Cambridge Associates Investment Consultancy (Beijing) Ltd. ("CA Beijing"), Cambridge Associates Asia Pte. Ltd ("CA Asia"), and Cambridge Associates Fiduciary Trust ("CAFT") (collectively, "CA Group Companies"), effectively replacing the previous service agreements with CA Group Companies. Under the terms of the Agreement, CA Group Companies split global operating profit based on value indicators that capture the relative contributions of each entity in performing Non-Routine and Routine Services. Non-Routine Services involve activities that generate value and drive global profit for CA Group as a whole. Routine Services consist of accounting, finance, legal, human resources, and IT support services.

**CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2018 *(continued)*

Amounts are shown in £000s

**21 Related party disclosure (continued)**

The Agreement automatically renews for successive 12-month periods. There was no related party turnover for the years ended 31 December 2018 and 2017. The related party expense for the years ended 31 December 2018 and 2017 is as follows:

	2018 £000	2017 £000
Related party expense to:		
CA LLC	3,595	761
CA Asia	5,074	5,199
CA Beijing	529	2,099
Total related party expense	9,198	8,059

Each of the CA Group Companies is charged and reimbursed for services provided as stipulated in the Agreement. Such revenue amounts are included in turnover and such expense amounts are included in general and administrative expense in the accompanying Group and Parent Company profit and loss statement. All transactions are charged or credited through intercompany accounts, interest-free, due on demand and denominated in US dollars. Any outstanding balances are revalued for reporting purposes with any gain or loss from affiliates included in net income.

As discussed in Note 20, CA LLC grants options to employees of the Group. The Group is required to repay CA LLC, the entity responsible for settling the unit options granted, based on the original grant date fair value of the options over the vesting period of the options granted. This repayment is settled through related party accounts and reflected as a return of capital in the statement of changes in equity.

In addition, the Group and CA Group Companies may be reimbursed for payment of costs incurred on an affiliate's behalf for vendors that are used under a global contract. Amounts due to affiliates as of 31 December are as follows:

	2018 £000	2017 £000
CA LLC	1,200	817
CA LTD LLC	-	7
CA Beijing	3,671	4,279
CA Asia	9,491	6,896
Total due to related parties, net	14,362	11,999

**22 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is CA LTD LLC incorporated in the United States. The ultimate parent undertaking and controlling party is CA LLC formed as a limited liability company under the laws of the Commonwealth of Massachusetts in the United States. The largest group in which the results of the Group are consolidated is that headed by CA LLC incorporated in the United States. The consolidated financial statements of this group are not available to the public.

**CAMBRIDGE ASSOCIATES LIMITED****Notes to the financial statements for the year ended 31 December 2018 (continued)****Amounts are shown in £000s****22 Ultimate parent undertaking and controlling party (continued)**

The Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of the Company are available from 80 Victoria Street, Cardinal Place, London SW1E 5JL.

**23 Subsidiary undertaking**

The related undertaking whose results or financial performance principally affect the figures shown in the consolidated financial statements is as follows:

<u>Name</u>	<u>Address of the registered office</u>	<u>Nature of Business</u>	<u>Interest</u>
Brook Street Limited	PO Box 309, George Town, Grand Cayman, Y1-1104, Cayman Islands	Investment Advisor	100% ordinary shares

The above subsidiary is included in the consolidation. The Parent Company's investment in Brook Street Limited is direct ownership and is carried at nil in the accounting records of the Parent Company.