

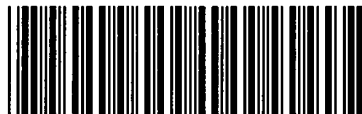
Registered number: 07659458

## MWAM UK Ltd

### Annual report and financial statements

For the year ended 28 February 2017

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**MWAM UK Ltd**

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**Company Information**

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|------------------|--|
| <b>Directors</b> | P R C Marshall<br>I G P Wace<br>A P Clake<br>D E Ford<br>C J Musgrave (reappointed 6 April 2016)<br>J E May (reappointed 6 April 2016) |
|------------------|--|

|                          |          |
|--------------------------|----------|
| <b>Registered number</b> | 07659458 |
|--------------------------|----------|

|                          |   |
|--------------------------|---|
| <b>Registered office</b> | George House<br>131 Sloane Street<br>London<br>SW1X 9AT |
|--------------------------|---|

|                             |  |
|-----------------------------|--|
| <b>Independent auditors</b> | Ernst & Young LLP<br>25 Churchill Place<br>London<br>E14 5EY |
|-----------------------------|--|

|                |  |
|----------------|--|
| <b>Bankers</b> | HSBC Bank UK PLC<br>8 Canada Square<br>London<br>E14 5HQ |
|----------------|--|

|                   |  |
|-------------------|--|
| <b>Solicitors</b> | Simmons & Simmons<br>CityPoint<br>1 Ropemaker Street<br>London<br>EC2Y 9SS |
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**MWAM UK Ltd**

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**Group strategic report  
For the year ended 28 February 2017**

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**Introduction**

The directors present their strategic report for MWAM UK Ltd ("the Company") and its subsidiaries, Marshall Wace LLP ("MW LLP") and Marshall Wace Asset Management Limited ("MWAM"), collectively referred to as the Group, for the year ended 28 February 2017.

**Principal activity and review of business**

The principal activity of the Group is to provide investment management services, with MWAM and the Company providing support services. There are no anticipated changes to the business conducted by the Group in the foreseeable future. MW LLP is authorised and regulated by the Financial Conduct Authority.

**Principal risks and uncertainties**

The principal risks and uncertainties affecting the Group relate to the performance of the underlying funds MW LLP manages and the impact that poor performance has on the ability to attract and retain investors. Other risks and uncertainties relate to the ability to attract and retain key investment executives.

The Group is not exposed to any significant price, credit, liquidity or cash flow risk.

**Financial key performance indicators***Operating results*

Group turnover for the year amounted to £393,046,734 (2016: £513,436,147) which has resulted in a consolidated profit for the year after taxation of £216,627,202 (2016: £280,804,557). Dividends of £136,005,303 (2016: £39,195,864) were paid during the year and subsidiary profits amounting to £199,713,251 (2016: £nil) were allocated to other members of MW LLP. The remaining Group profit has been transferred to reserves.

*Financial position*

Shareholders' funds at the statement of financial position date amounted to £101,530,162 (2016: £186,150,360). The directors are of the view that this represents sufficient reserves for the Group to meet its on-going business requirements.

**Other key performance indicators**

Given the straight forward nature of the business, the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 22 May 2017 and signed on its behalf by:

  
**D E Ford**  
Director

**Directors' report**  
**For the year ended 28 February 2017**

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The directors present their report and the financial statements for the year ended 28 February 2017.

**Directors**

The directors who served during the year and up to the date of this report were:

P R C Marshall  
I G P Wace  
A P Clake  
D E Ford  
C J Musgrave (reappointed 6 April 2016)  
J E May (reappointed 6 April 2016)

**Charitable contributions**

During the year the Group did not make any of its own charitable contributions (2016: £73,000). The Group made charitable donations of £130,286 (2016: £53,105) to employee matching schemes where the Group matches the funds raised for charitable purposes by its employees.

**Going concern**

The directors have reviewed revenue and cash flow forecasts and believe the Company and the Group has adequate financial resources to continue in operational existence for the foreseeable future and at least 12 months from the date of the signing of the report and financial statements. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

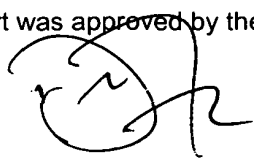
- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the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

**Auditors**

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP, will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 22 May 2017 and signed on its behalf by:

**D E Ford**  
Director



**Directors' responsibilities statement  
For the year ended 28 February 2017**

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The directors are responsible for preparing the Group strategic report, the directors' report and the consolidated and parent company financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**Independent auditors' report to the shareholders of MWAM UK Ltd**

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We have audited the financial statements of MWAM UK Ltd for the year ended 28 February 2017, which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 24. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 28 February 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditors' report to the shareholders of MWAM UK Ltd (continued)**

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**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:


- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

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

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



James Beszant (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory auditor

London

Date: 24 MAY 2017



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**MWAM UK Ltd**

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**Consolidated statement of comprehensive income  
For the year ended 28 February 2017**

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|   | <i>Note</i> | <i>2017<br/>£</i>         | <i>2016<br/>£</i>         |
|---|-------------|---------------------------|---------------------------|
| Turnover  | 5           | 393,046,734               | 513,436,147               |
| Fee rebates and other fees payable  |             | (104,535,326)             | (132,079,399)             |
| <b>Gross profit</b>   |             | <b>288,511,408</b>        | <b>381,356,748</b>        |
| Administrative expenses   |             | (94,626,624)              | (97,738,901)              |
| <b>Operating profit</b>   | 6           | <b>193,884,784</b>        | <b>283,617,847</b>        |
| Income from shares in group companies   |             | 38,478,782                | 2,104,709                 |
| Net unrealised fair value movements on investment                             |             | 604,539                   | (1,043,026)               |
| Foreign exchange gains  |             | 6,321,467                 | 14,170,425                |
| Realised gains on investment  |             | 12,841,903                | 70,558                    |
| Interest receivable and similar income  | 9           | 102,532                   | 123,743                   |
| Interest payable and expenses   | 10          | (199)                     | (122)                     |
| <b>Profit before taxation</b>   |             | <b>252,233,808</b>        | <b>299,044,134</b>        |
| Tax on profit   | 11          | (35,606,606)              | (18,239,577)              |
| <b>Profit for the financial year</b>  |             | <b><u>216,627,202</u></b> | <b><u>280,804,557</u></b> |
| <b>Profit and total comprehensive income for the year is attributable to:</b> |             |                           |                           |
| Non-controlling interests   |             | -                         | -                         |
| Owners of the Company   |             | 216,627,202               | 280,804,557               |
|   |             | <b><u>216,627,202</u></b> | <b><u>280,804,557</u></b> |

All amounts are in respect of continuing activities.

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £nil).

The notes on pages 14 to 27 form part of these financial statements.

**Consolidated statement of financial position**  
**As at 28 February 2017**

|   | <i>Note</i> | <i>28 February<br/>2017<br/>£</i> | <i>29 February<br/>2016<br/>£</i> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Fixed assets</b>                                 |             |                                   |                                   |
| Tangible assets                                     | 13          | 22,388,659                        | 4,435,356                         |
| Investments   | 14          | 376,287                           | 98,384,418                        |
|   |             | <u>22,764,946</u>                 | <u>102,819,774</u>                |
| <b>Current assets</b>                               |             |                                   |                                   |
| Debtors: amounts falling due within one year        | 15          | 127,826,486                       | 24,031,459                        |
| Cash at bank and in hand                            | 16          | 50,966,053                        | 117,799,924                       |
|   |             | <u>178,792,539</u>                | <u>141,831,383</u>                |
| Creditors: amounts falling due within one year      | 17          | (100,027,323)                     | (57,714,794)                      |
| <b>Net current assets</b>                           |             | <u>78,765,216</u>                 | <u>84,116,589</u>                 |
| <b>Total assets less current liabilities</b>        |             | <u>101,530,162</u>                | <u>186,936,363</u>                |
| <b>Non-current liabilities</b>                      |             |                                   |                                   |
| Deferred taxation liability                         | 19          | -                                 | (786,003)                         |
| <b>Net assets</b>                                   |             | <u>101,530,162</u>                | <u>186,150,360</u>                |
| <b>Capital and reserves</b>                         |             |                                   |                                   |
| Called up share capital                             | 20          | 100                               | 100                               |
| Merger reserve                                      |             | (20,354)                          | (20,354)                          |
| Profit and loss account                             |             | 149,375,515                       | 268,466,867                       |
| <b>Equity attributable to owners of the Company</b> |             | <u>149,355,261</u>                | <u>268,446,613</u>                |
| Non-controlling interests                           |             | (47,825,099)                      | (82,296,253)                      |
| <b>Total equity</b>                                 |             | <u>101,530,162</u>                | <u>186,150,360</u>                |

The financial statements were approved and authorised for issue by the board on **22** May 2017 and were signed on its behalf by:

**D E Ford**  
Director



The notes on pages 14 to 27 form part of these financial statements.

**Company statement of financial position**  
**As at 28 February 2017**

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|  | Note | 28 February<br>2017<br>£ | 29 February<br>2016<br>£ |
|--|------|--------------------------|--------------------------|
| <b>Fixed assets</b>                            |      |                          |                          |
| Investments                                    | 14   | 250,356                  | 250,356                  |
| <b>Current assets</b>                          |      |                          |                          |
| Debtors: amounts falling due within one year   | 15   | 30,100                   | 100                      |
|  |      | 30,100                   | 100                      |
| Creditors: amounts falling due within one year | 17   | (276,181)                | (271,206)                |
| <b>Net current liabilities</b>                 |      | (246,081)                | (271,106)                |
| <b>Net assets/(liabilities)</b>                |      | <u>4,275</u>             | <u>(20,750)</u>          |
| <b>Capital and reserves</b>                    |      |                          |                          |
| Called up share capital                        | 20   | 100                      | 100                      |
| Profit and loss account                        |      | 4,175                    | (20,850)                 |
| <b>Total equity</b>                            |      | <u>4,275</u>             | <u>(20,750)</u>          |

The financial statements were approved and authorised for issue by the board on **22** May 2017 and were signed on its behalf by:

  
**D E Ford**  
Director

The notes on pages 14 to 27 form part of these financial statements.

**MWAM UK Ltd**

**Consolidated statement of changes in equity  
for the year ended 28 February 2017**

|  | <i>Called up<br/>share capital</i> | <i>Merger<br/>reserve</i> | <i>Profit and<br/>loss account</i> | <i>Equity<br/>attributable to<br/>owners of the<br/>Company</i> | <i>Non-<br/>controlling<br/>interests</i> | <i>Total equity</i> |
|--|------------------------------------|---------------------------|------------------------------------|---|---|---------------------|
|  | £                                  | £                         | £                                  | £   | £   | £                   |
| At 1 March 2016  | 100                                | (20,354)                  | 268,466,867                        | 268,446,613   | (82,296,253)                              | 186,150,360         |
| <b>Comprehensive income for the year</b>                 |                                    |                           |                                    |   |   |                     |
| Profit for the year                                      | -                                  | -                         | 216,627,202                        | 216,627,202   | -   | 216,627,202         |
| <b>Total comprehensive income for the year</b>           | -                                  | -                         | 216,627,202                        | 216,627,202   | -   | 216,627,202         |
| <b>Contributions by and distributions to owners</b>      |                                    |                           |                                    |   |   |                     |
| Dividends  | -                                  | -                         | (136,005,303)                      | (136,005,303)   | -   | (136,005,303)       |
| Subsidiary profit allocated to non-controlling interests | -                                  | -                         | (199,713,251)                      | (199,713,251)   | 199,713,251                               | -                   |
| Payments to non-controlling interests                    | -                                  | -                         | -                                  | -   | (165,242,097)                             | (165,242,097)       |
| <b>Total transactions with owners</b>                    | -                                  | -                         | (335,718,554)                      | (335,718,554)   | 34,471,154                                | (301,247,400)       |
| <b>At 28 February 2017</b>                               | <u>100</u>                         | <u>(20,354)</u>           | <u>149,375,515</u>                 | <u>149,355,261</u>  | <u>(47,825,099)</u>                       | <u>101,530,162</u>  |

The notes on pages 14 to 27 form part of these financial statements

**MWAM UK Ltd**

**Consolidated statement of changes in equity  
for the period ended 29 February 2016**

|   | <i>Called up<br/>share capital</i> | <i>Merger<br/>reserve</i> | <i>Profit and<br/>loss account</i> | <i>Equity<br/>attributable to<br/>owners of<br/>parent<br/>Company</i> | <i>Non-<br/>controlling<br/>interests</i> | <i>Total equity</i> |
|---|------------------------------------|---------------------------|------------------------------------|--|---|---------------------|
|   | £                                  | £                         | £                                  | £  | £   | £                   |
| At 1 March 2015                                     | 100                                | (20,354)                  | 26,858,174                         | 26,837,920   | 11,010                                    | 26,848,930          |
| <b>Comprehensive income for the year</b>            |                                    |                           |                                    |  |   |                     |
| Profit for the year                                 | -                                  | -                         | 280,804,557                        | 280,804,557  | -   | 280,804,557         |
| <b>Total comprehensive income for the year</b>      | -                                  | -                         | 280,804,557                        | 280,804,557  | -   | 280,804,557         |
| <b>Contributions by and distributions to owners</b> |                                    |                           |                                    |  |   |                     |
| Dividends   | -                                  | -                         | (39,195,864)                       | (39,195,864)   | -   | (39,195,864)        |
| Payment to non-controlling interests                | -                                  | -                         | -                                  | -  | (82,309,263)                              | (82,309,263)        |
| Capital contributed                                 | -                                  | -                         | -                                  | -  | 2,000                                     | 2,000               |
| <b>Total transactions with owners</b>               | -                                  | -                         | (39,195,864)                       | (39,195,864)   | (82,307,263)                              | (121,503,127)       |
| <b>At 29 February 2016</b>                          | <u>100</u>                         | <u>(20,354)</u>           | <u>268,466,867</u>                 | <u>268,446,613</u>   | <u>(82,296,253)</u>                       | <u>186,150,360</u>  |

The notes on pages 14 to 27 form part of these financial statements.

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**MWAM UK Ltd**

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**Company statement of changes in equity  
for the year ended 28 February 2017**

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|   | <i>Called up<br/>share capital</i> | <i>Profit and<br/>loss account</i> | <i>Total equity</i> |
|---|------------------------------------|------------------------------------|---------------------|
|   | £                                  | £                                  | £                   |
| At 1 March 2016                                     | 100                                | (20,850)                           | (20,750)            |
| <b>Comprehensive income for the year</b>            |                                    |                                    |                     |
| Profit for the year                                 | -                                  | 136,030,328                        | 136,030,328         |
| <b>Total comprehensive income for the year</b>      | -                                  | 136,030,328                        | 136,030,328         |
| <b>Contributions by and distributions to owners</b> |                                    |                                    |                     |
| Dividends   | -                                  | (136,005,303)                      | (136,005,303)       |
| <b>Total transactions with owners</b>               | -                                  | (136,005,303)                      | (136,005,303)       |
| <b>At 28 February 2017</b>                          | <u>100</u>                         | <u>4,175</u>                       | <u>4,275</u>        |

**Company statement of changes in equity  
for the period ended 29 February 2016**

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|   | <i>Called up<br/>share capital</i> | <i>Profit and<br/>loss account</i> | <i>Total equity</i> |
|---|------------------------------------|------------------------------------|---------------------|
|   | £                                  | £                                  | £                   |
| At 1 March 2015                                     | 100                                | (15,500)                           | (15,400)            |
| <b>Comprehensive income for the year</b>            |                                    |                                    |                     |
| Profit for the year                                 | -                                  | 39,190,514                         | 39,190,514          |
| <b>Total comprehensive income for the year</b>      | -                                  | 39,190,514                         | 39,190,514          |
| <b>Contributions by and distributions to owners</b> |                                    |                                    |                     |
| Dividends   | -                                  | (39,195,864)                       | (39,195,864)        |
| <b>Total transactions with owners</b>               | -                                  | (39,195,864)                       | (39,195,864)        |
| <b>At 29 February 2016</b>                          | <u>100</u>                         | <u>(20,850)</u>                    | <u>(20,750)</u>     |

The notes on pages 14 to 27 form part of these financial statements.

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**MWAM UK Ltd**

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**Consolidated statement of cash flows**  
**For the year ended 28 February 2017**

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|  | 28 February<br>2017<br>£ | 29 February<br>2016<br>£ |
|--|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                                      |                          |                          |
| Profit for the financial year  | 216,627,202              | 280,804,557              |
| <b>Adjustments for:</b>  |                          |                          |
| Depreciation of tangible assets  | 2,844,877                | 1,305,330                |
| Interest paid  | 199                      | 122                      |
| Income from shares in group companies  | (38,478,782)             | (2,104,709)              |
| Interest received  | (102,532)                | (123,743)                |
| Net fair value (gain)/losses recognised in the statement of comprehensive income | (13,446,442)             | 1,043,026                |
| Gain on disposal of investments  | -                        | (70,558)                 |
| Taxation charged to statement of comprehensive income                            | 35,606,606               | 18,239,577               |
| (Increase)/decrease in debtors   | (59,104,205)             | 21,606,912               |
| Increase/(decrease) in creditors   | 7,725,515                | (4,033,626)              |
| Corporation tax paid   | (20,701,162)             | (15,879,656)             |
| <b>Net cash generated from operating activities</b>                              | <u>130,971,276</u>       | <u>300,787,232</u>       |
| <b>Cash flows from investing activities</b>                                      |                          |                          |
| Purchase of tangible fixed assets  | (20,876,245)             | (4,179,730)              |
| Sale of tangible fixed assets  | 78,065                   | -                        |
| Purchase of unlisted and other investments                                       | (560,245)                | (100,913,673)            |
| Sale of unlisted and other investments   | 86,219,563               | 1,556,787                |
| Interest received  | 102,532                  | 123,743                  |
| Income from shares in related companies  | 38,478,782               | 2,104,709                |
| <b>Net cash generated from/(used in) investing activities</b>                    | <u>103,442,452</u>       | <u>(101,308,164)</u>     |
| <b>Cash flows from financing activities</b>                                      |                          |                          |
| Dividends paid   | (136,005,303)            | (39,195,864)             |
| Interest paid  | (199)                    | (122)                    |
| Amounts paid to non-controlling interests  | (165,242,097)            | (82,309,263)             |
| Capital contributed by non-controlling interest                                  | -                        | 2,000                    |
| <b>Net cash used in financing activities</b>                                     | <u>(301,247,599)</u>     | <u>(121,503,249)</u>     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                      | <u>(66,833,871)</u>      | <u>77,975,819</u>        |
| Cash and cash equivalents at beginning of year                                   | 117,799,924              | 39,824,105               |
| <b>Cash and cash equivalents at the end of year</b>                              | <u>50,966,053</u>        | <u>117,799,924</u>       |
| <b>Cash and cash equivalents at the end of year comprise:</b>                    |                          |                          |
| Cash at bank and in hand   | <u>50,966,053</u>        | <u>117,799,924</u>       |

The notes on pages 14 to 27 form part of these financial statements.

**Notes to the financial statements**  
**For the year ended 28 February 2017**

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**1. General information**

MWAM UK Ltd is a limited liability company incorporated and domiciled in England and Wales. The address of the registered office and place of business is George House, 131 Sloane Street, London SW1X 9AT.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Basis of consolidation**

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group"). Intercompany transactions and balances between group companies have been eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2.3 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is Pound sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.



**Notes to the financial statements  
For the year ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.3 Foreign currency translation (continued)**

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from management fees is recognised when the services are performed while revenue from performance fees is recognised at the point of crystallisation which occurs at the end of the measurement period and may be annually or quarterly and is the point when the right to receive the revenue is confirmed. Other income from services provided is recognised when the respective services are performed on an accruals basis.

**2.5 Operating leases**

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term. The value of any lease incentives are amortised over the full lease period.

**2.6 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

**Notes to the financial statements**  
**For the year ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.7 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**2.8 Interest income**

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

**2.9 Finance costs**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**Notes to the financial statements**  
**For the year ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.11 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

|                              |                              |
|------------------------------|------------------------------|
| Long-term leasehold property | - Over the term of the lease |
| Fixtures and fittings        | - 3 to 5 years               |
| Computer equipment           | - 3 years                    |
| Artwork                      | - Indefinite                 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

**2.12 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in funds, are held at their fair value with movements in fair value being recognised in the statement of comprehensive income.

**2.13 Financial instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The basis for recognition and measurement of financial instruments is as set out in these accounting policies.

Financial assets are derecognised when (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.

**Notes to the financial statements  
For the year ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.13 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

**2.14 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.15 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**2.16 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

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

**(a) Critical accounting estimates and assumptions**

**Bonus provisions**

The bonus accrual included in the financial statements has been based on an expectation of the final performance of the employees during the year and thus may vary from the actual amounts paid out after year end, however the members do not expect there to be a significant variance.

**Notes to the financial statements**  
**For the year ended 28 February 2017**

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**4. Company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the Company for the year was £136,030,328 (2016: £39,190,514).

**5. Turnover**

An analysis of turnover by class of business is as follows:

|                  | 2017<br>£          | 2016<br>£          |
|------------------|--------------------|--------------------|
| Management fees  | 280,666,148        | 197,297,107        |
| Performance fees | 106,442,816        | 311,902,125        |
| Recharge income  | 5,937,770          | 4,236,915          |
|                  | <u>393,046,734</u> | <u>513,436,147</u> |

Analysis of turnover by country of destination:

|                   | 2017<br>£          | 2016<br>£          |
|-------------------|--------------------|--------------------|
| United Kingdom    | 1,396,118          | -                  |
| Rest of the world | 391,650,616        | 513,436,147        |
|                   | <u>393,046,734</u> | <u>513,436,147</u> |

**6. Operating profit**

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

|   | 2017<br>£        | 2016<br>£        |
|---|------------------|------------------|
| Depreciation of tangible fixed assets                           | 2,844,877        | 1,305,330        |
| Fees payable to the Group's auditor for:                        |                  |                  |
| - The audit of the Company's annual financial statements        | 4,625            | 5,350            |
| - The audit of the Group's subsidiaries pursuant to legislation | 71,250           | 77,500           |
| - Taxation compliance services                                  | 48,934           | 510,049          |
| R&D tax credit  | -                | (716,261)        |
| Operating lease payments  | <u>4,645,916</u> | <u>1,120,118</u> |

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

|  | 2017<br>£         | 2016<br>£         |
|--|-------------------|-------------------|
| Wages and salaries                           | 53,493,317        | 58,793,685        |
| Social security costs                        | 6,994,813         | 5,473,949         |
| Contributions to defined contribution scheme | 1,442,802         | 1,274,829         |
|  | <u>61,930,932</u> | <u>65,542,463</u> |

**Notes to the financial statements**  
**For the year ended 28 February 2017**

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**7. Employees (continued)**

The average monthly number of employees, including the directors, during the year was as follows:

|                               | 2017       | 2016       |
|-------------------------------|------------|------------|
|                               | No.        | No.        |
| Administration and compliance | 84         | 69         |
| Fund management               | 50         | 46         |
|                               | <u>134</u> | <u>115</u> |

**8. Directors' remuneration**

|                       | 2017           | 2016           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Directors' emoluments | <u>600,000</u> | <u>600,000</u> |

The highest paid director received remuneration of £100,000 (2016: £100,000).

**9. Interest receivable and similar income**

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | £              | £              |
| Interest receivable from group companies | 5,825          | 34,281         |
| Other interest receivable                | 96,707         | 89,462         |
|  | <u>102,532</u> | <u>123,743</u> |

**10. Interest payable and similar charges**

|                             | 2017       | 2016       |
|-----------------------------|------------|------------|
|                             | £          | £          |
| Other loan interest payable | <u>199</u> | <u>122</u> |

**Notes to the financial statements**  
**For the year ended 28 February 2017**

**11. Taxation**

|  | 2017<br>£          | 2016<br>£         |
|--|--------------------|-------------------|
| <b>Corporation tax</b>                           |                    |                   |
| Current tax on profits for the year              | 18,146,671         | 7,324,105         |
| Adjustments in respect of previous periods       | 16,467,647         | (223,316)         |
|  | <u>34,614,318</u>  | <u>7,100,789</u>  |
| <b>Foreign tax</b>                               |                    |                   |
| Foreign tax on income for the year               | 6,634,414          | 10,207,539        |
| Foreign tax in respect of prior periods          | 266,748            | (86,144)          |
|  | <u>6,901,162</u>   | <u>10,121,395</u> |
| <b>Total current tax</b>                         | <u>41,515,480</u>  | <u>17,222,184</u> |
| <b>Deferred tax</b>                              |                    |                   |
| Origination and reversal of timing differences   | (5,017,649)        | 1,109,405         |
| Effect of change tax rate on opening liability   | (891,225)          | (92,012)          |
| <b>Total deferred tax</b>                        | <u>(5,908,874)</u> | <u>1,017,393</u>  |
| <b>Taxation on profit on ordinary activities</b> | <u>35,606,606</u>  | <u>18,239,577</u> |

**Factors affecting current tax charge**

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 20% (2016: 20.08%). The differences are explained below:

|  | 2017<br>£          | 2016<br>£          |
|--|--------------------|--------------------|
| Profit on ordinary activities before tax   | <u>252,233,808</u> | <u>299,044,134</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20.08%) | 50,446,762         | 60,062,114         |
| <b>Effects of:</b>   |                    |                    |
| Expenses not deductible for tax purposes   | 1,383,550          | 1,366,511          |
| Higher rate taxes on overseas earnings   | 3,133,109          | 10,207,539         |
| Adjustments to tax charge in respect of prior periods  | 4,293,343          | (309,460)          |
| Timing differences   | -                  | 71,112             |
| Taxable allocation of timing differences   | -                  | 5,307,443          |
| Non-taxable income   | (2,870)            | 255,237            |
| Gains/ rollover relief   | (3,056,899)        | -                  |
| Additional income taxable periods  | 123,458            | -                  |
| Differences arising from changes in tax rates  | 3,987,225          | (92,012)           |
| Profit allocation to individual members subject to income tax  | (23,809,847)       | (58,628,907)       |
| Foreign exchange   | (891,225)          | -                  |
| <b>Total tax charge for the year</b>   | <u>35,606,606</u>  | <u>18,239,577</u>  |

Notes to the financial statements  
For the year ended 28 February 2017

11. Taxation (continued)

**Factors that may affect future tax charges**

The UK Government legislated in the Finance (No.2) Act 2016 which received Royal Assent on 18 November 2016 to reduce the standard rate of UK corporation tax to 19% from 1 April 2017 and further to 18% from 1 April 2020. In the 2016 Finance Act, which received Royal Assent on 15 September 2016, the Government announced a further reduction in the rate of corporation tax to 17% from 1 April 2020. The reduced rates of UK corporation tax will affect future cash tax payments made by the Group.

The Group has a loss carried forward at 28 February 2017 of £737,863 (2016: £737,863) in relation to the trade of Marshall Wace North America L.P. which is available indefinitely for offset against future profits allocated from this partnership. Deferred tax is not being recognised in relation to this carry forward loss as there is uncertainty over the timing as to when these losses will be utilised.

12. Dividends

|  | 28 February<br>2017<br>£ | 29 February<br>2016<br>£ |
|--|--------------------------|--------------------------|
| Interim dividends of £1,360,053.30 per share (2016: £391,958.64) paid on ordinary shares | <u>136,005,303</u>       | <u>39,195,864</u>        |

13. Tangible fixed assets

**Group**

|                              | <i>Long-term<br/>leasehold<br/>improvements</i><br>£ | <i>Fixtures<br/>and fittings</i><br>£ | <i>Computer<br/>equipment</i><br>£ | <i>Non-<br/>depreciable<br/>items</i><br>£ | <i>Total</i><br>£ |
|------------------------------|--|---------------------------------------|------------------------------------|--|-------------------|
| <b>Cost</b>                  |  |                                       |                                    |  |                   |
| At 1 March 2016              | 3,757,659  | 391,831                               | 6,015,281                          | -  | 10,164,771        |
| Additions                    | 16,646,522   | 1,676,165                             | 2,273,633                          | 279,925                                    | 20,876,245        |
| Disposals                    | (78,065)   | -                                     | -                                  | -  | (78,065)          |
| Transfers between<br>classes | (264,340)  | 264,340                               | -                                  | -  | -                 |
| At 28 February 2017          | 20,061,776   | 2,332,336                             | 8,288,914                          | 279,925                                    | 30,962,951        |
| <b>Depreciation</b>          |  |                                       |                                    |  |                   |
| At 1 March 2016              | 1,759,562  | 335,078                               | 3,634,775                          | -  | 5,729,415         |
| Charge for the year          | 806,621  | 260,596                               | 1,777,660                          | -  | 2,844,877         |
| At 28 February 2017          | 2,566,183  | 595,674                               | 5,412,435                          | -  | 8,574,292         |
| <b>Net book value</b>        |  |                                       |                                    |  |                   |
| At 28 February 2017          | <u>17,495,593</u>                                    | <u>1,736,662</u>                      | <u>2,876,479</u>                   | <u>279,925</u>                             | <u>22,388,659</u> |
| At 29 February 2016          | <u>1,998,097</u>                                     | <u>56,753</u>                         | <u>2,380,506</u>                   | <u>-</u>                                   | <u>4,435,356</u>  |



**Notes to the financial statements  
For the year ended 28 February 2017**

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**14. Fixed asset investments****Group**

|                                  | <i>Unlisted<br/>investments<br/>£</i> |
|----------------------------------|---------------------------------------|
| <b>Cost or valuation</b>         |                                       |
| At 1 March 2016                  | 98,384,418                            |
| Additions                        | 560,245                               |
| FX adjustments                   | 283,833                               |
| Fair value adjustments           | 12,841,903                            |
| Transfer to MW Ltd at fair value | (25,474,549)                          |
| Disposal proceeds                | (86,219,563)                          |
|                                  | <hr/>                                 |
| At 28 February 2017              | <u><u>376,287</u></u>                 |

The fair value of the unlisted investments at 28 February 2017 was £376,287 (2016: £98,384,418) which is based on the net asset values of the underlying funds as advised by the fund administrators. These are considered to be level 2 observable valuation inputs.

Fair value gains of £12,841,903 were recognised in the statement of comprehensive income. In addition, fair value gains of £604,539 derived from investments held by MW Ltd on behalf of the Group were also recognised in the statement of comprehensive income.

All investments held by the Group in funds are designated as financial assets measured at fair value through profit or loss. Gains and losses arising from changes in fair value are included in the statement of comprehensive income.

The different levels of the fair value hierarchy are as follows;

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

In accordance with the aforementioned fair value hierarchy, the unlisted investments have been designated level 2 financial instruments.

**Company**

|                     | <i>Investments<br/>in subsidiary<br/>companies<br/>£</i> |
|---------------------|--|
| <b>Cost</b>         |  |
| At 1 March 2016     | 250,356  |
|                     | <hr/>  |
| At 28 February 2017 | <u><u>250,356</u></u>                                    |

**Notes to the financial statements  
For the year ended 28 February 2017**

**14. Fixed asset investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| <b>Name</b>                            | <b>Country of incorporation</b> | <b>Class of shares</b> | <b>Holding</b> | <b>Principal activity</b>                |
|--|---------------------------------|------------------------|----------------|--|
| Marshall Wace LLP                      | England                         | Partner capital        | 100%           | Providing investment management services |
| Marshall Wace Asset Management Limited | England                         | Ordinary               | 100%           | Provision of support services            |

**15. Debtors: Amounts falling due within one year**

|                                    | <i>Group<br/>28 February<br/>2017<br/>£</i> | <i>Group<br/>29 February<br/>2016<br/>£</i> | <i>Company<br/>28 February<br/>2017<br/>£</i> | <i>Company<br/>29 February<br/>2016<br/>£</i> |
|------------------------------------|---|---|---|---|
| Amounts owed by group undertakings | 90,559,578                                  | 1,256,048                                   | -   | -   |
| Other debtors                      | 666,511                                     | 859,034                                     | 30,100  | 100   |
| Prepayments and accrued income     | 31,477,526                                  | 21,916,377                                  | -   | -   |
| Deferred tax asset (note 19)       | 5,122,871                                   | -   | -   | -   |
|                                    | <u>127,826,486</u>                          | <u>24,031,459</u>                           | <u>30,100</u>                                 | <u>100</u>                                    |

**16. Cash and cash equivalents**

|                          | <i>Group<br/>28 February<br/>2017<br/>£</i> | <i>Group<br/>29 February<br/>2016<br/>£</i> | <i>Company<br/>28 February<br/>2017<br/>£</i> | <i>Company<br/>29 February<br/>2016<br/>£</i> |
|--------------------------|---|---|---|---|
| Cash at bank and in hand | <u>50,966,053</u>                           | <u>117,799,924</u>                          | <u>-</u>                                      | <u>-</u>                                      |

**17. Creditors: Amounts falling due within one year**

|                                    | <i>Group<br/>28 February<br/>2017<br/>£</i> | <i>Group<br/>29 February<br/>2016<br/>£</i> | <i>Company<br/>28 February<br/>2017<br/>£</i> | <i>Company<br/>29 February<br/>2016<br/>£</i> |
|------------------------------------|---|---|---|---|
| Trade creditors                    | 513,418                                     | 253,505                                     | -   | -   |
| Amounts owed to group undertakings | 7,337,711                                   | 9,841,284                                   | 25,825  | 20,850  |
| Corporation tax                    | 26,774,968                                  | 5,960,650                                   | -   | -   |
| Other taxation and social security | 2,949,581                                   | 2,428,995                                   | -   | -   |
| Other creditors                    | 5,917,142                                   | 296,363                                     | 250,356                                       | 250,356                                       |
| Accruals and deferred income       | 56,534,503                                  | 38,933,997                                  | -   | -   |
|                                    | <u>100,027,323</u>                          | <u>57,714,794</u>                           | <u>276,181</u>                                | <u>271,206</u>                                |

**Notes to the financial statements  
For the year ended 28 February 2017**

**18. Financial instruments**

|   | Group<br>28 February<br>2017<br>£ | Group<br>29 February<br>2016<br>£ | Company<br>28 February<br>2017<br>£ | Company<br>29 February<br>2016<br>£ |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Financial assets</b>   |                                   |                                   |                                     |                                     |
| Financial assets measured at fair value through profit or loss                | 376,287                           | 98,384,418                        | -                                   | -                                   |
| Financial assets that are debt instruments measured at amortised cost         | 120,914,549                       | 22,496,635                        | 30,100                              | 100                                 |
| Financial assets that are equity instruments measured at cost less impairment | -                                 | -                                 | 250,356                             | 250,356                             |
|   | <u>121,290,836</u>                | <u>120,881,053</u>                | <u>280,456</u>                      | <u>250,456</u>                      |
| <b>Financial liabilities</b>  |                                   |                                   |                                     |                                     |
| Financial liabilities measured at amortised cost                              | <u>(70,302,774)</u>               | <u>(49,325,149)</u>               | <u>(276,181)</u>                    | <u>(271,206)</u>                    |

Financial assets measured at fair value through profit or loss comprise the unlisted investments disclosed in note 14.

Financial assets measured at amortised cost comprise debtors disclosed in note 15 but excludes prepayments and taxation assets of £6,911,937 (2016: £1,534,824).

Financial assets that are equity instruments measured at cost less impairment comprise the investments in subsidiary companies disclosed in note 14.

Financial liabilities measured at amortised cost comprise creditors disclosed in note 17 but excludes taxation liabilities amounting to £29,724,549 (2016: £14,531,678).

**19. Deferred taxation**

**Group**

|   | 2017<br>£               |
|---|-------------------------|
| At beginning of year                              | (786,003)               |
| Credited to the statement of comprehensive income | 5,908,874               |
| <b>At end of year</b>                             | <u><b>5,122,871</b></u> |

The deferred tax assets/(liability) is made up as follows:

|                                     | Group<br>28 February<br>2017<br>£ | Group<br>29 February<br>2016<br>£ |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Unrealised gain on fund investments | -                                 | (786,003)                         |
| Income taxed in advanced            | 5,122,871                         | -                                 |
|                                     | <u>5,122,871</u>                  | <u>(786,003)</u>                  |

**Notes to the financial statements  
For the year ended 28 February 2017**

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**20. Share capital**

|   | 28 February<br>2017<br>£ | 29 February<br>2016<br>£ |
|---|--------------------------|--------------------------|
| <b>Shares classified as equity</b>        |                          |                          |
| <b>Allotted, called up and fully paid</b> |                          |                          |
| 100- Ordinary shares of £1 each           | <u>100</u>               | <u>100</u>               |

**21. Commitments under operating leases**

At 28 February 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

|  | Group<br>28 February<br>2017<br>£ | Group<br>29 February<br>2016<br>£ |
|--|-----------------------------------|-----------------------------------|
| Not later than 1 year                        | 4,169,699                         | 90,388                            |
| Later than 1 year and not later than 5 years | 18,300,752                        | 17,933,421                        |
| Later than 5 years                           | 22,032,978                        | 26,608,165                        |
|  | <u>44,503,429</u>                 | <u>44,631,974</u>                 |

**22. Financial risk management**

The Group has three main areas of risks in relation to certain financial instruments measured at fair value through profit or loss.

**Equity price risk**

Price risk is the risk of changes in fair value of financial instruments from fluctuations, whether such change in price is caused by factors specific to the individual instrument or factors affecting all instruments traded in the markets.

The Group is not subject to equity price risk because the investment funds held by the Group which are classified as financial assets at fair value through profit or loss are held, for the most part, to match the exposure of the deferred bonus liability. Any increase/decrease in profit before tax arising from the change in price of the investment funds will be fully offset by the corresponding rise or fall in the value of the liability. The full exposure of the company to equity price risk is limited to the fair value of the investments in funds.

**Counterparty credit risk**

The Group is exposed to counterparty credit risk to the extent redemptions of investments are due to the Company. The directors believe counterparty credit risk to be limited as the investment funds invest primarily in liquid assets that may be sold to fund any redemptions.

**Foreign currency risk**

Currency risk is the risk that the future cash flows or the fair values of financial instruments will fluctuate because of changes in foreign exchange rates. The investment funds held by the Group which are classified as financial assets at fair value through profit or loss are denominated in non-Sterling currencies. However, as the investment funds are held to match the exposure of the deferred bonus liability any increase/decrease in profit before tax arising from fluctuations in exchange will be fully offset by the corresponding rise or fall in the value of the liability.

**Notes to the financial statements  
For the year ended 28 February 2017**

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**23. Related party transactions**

During the year, the Group paid sub advisory fees to Marshall Wace North America, L.P. of £24,894,470 (2016: £44,412,776) and paid sales agent fees and support service fees totalling £17,434,390 (2016: £6,566,517). The Group received a profit allocation of £38,478,782 (2016: £2,104,709) from Marshall Wace North America LP. At the year end, a net amount of £17,149,234 was due from Marshall Wace North America, L.P. (2016: £6,865,284 due to Marshall Wace North America, L.P.). The entities are related through sharing the same ultimate controlling party.

During the year, the Group paid sub advisory fees of £51,292,407 (2016: £116,544,760) and was charged £3,576,444 (2016: £nil) for support services received. The Group received sales agent fees from Marshall Wace Asia Ltd of £469,638 (2016: £471,995). At year end, a net amount of £6,730,708 (2016: £2,976,000) was due to Marshall Wace Asia Ltd. The entities are related through sharing the same ultimate controlling party.

During the year the Group charged MW Eaglewood Europe LLP a total of £583,154 for support services provided (2016: £nil). At year end, a net amount of £63,242 (2016: £nil) was due to the Group. The entities are related through sharing the same ultimate controlling party.

During the year the Group paid MW Eaglewood Americas LLC £114,728 (2016: £nil) for support services and paid sub advisory fees of £nil (2016: £12,056). At year end, the Group was owed a net amount of £nil (2016: £125,580) by MW Eaglewood Americas LLC. The entities are related through sharing the same ultimate controlling party.

During the year the Group charged Marshall Wace (GP1) Ltd a total of £21,266,089 (2016: £47,857,364) for sub advisory fees and sales agent fees. At year end, an amount of £306,023 (2016: £nil) was due to the Group and is included in debtors. The entities are related through sharing the same ultimate controlling party.

During the year the Group received net funding of £873,444 (2016: provided net funding of £265,619) from MW Group LP, the Group's ultimate controlling party. At year end there was a balance of £607,003 due to MW Group LP which is included in creditors (2016: £265,619 due from MW Group LP which is included in debtors). The balances are interest free and have no fixed repayment date.

During the year, the Group transferred investments with a fair value of £25,474,549 (2016: £nil) to MW Ltd. The transfer of investments was conducted at fair value. The Group also providing funding to MW Ltd of £45,635,889 (2016: £7,632). At year end there was a balance of £71,707,540 (2016: £8,184) due from MW Ltd which is included in debtors. The balance is interest free and has no fixed repayment date. MW Ltd is the Company's parent entity.

All transactions between group entities listed above are conducted at market rates on an arm's length basis.

**24. Controlling party**

The immediate parent company is MW Ltd and the ultimate parent entity is MW Group LP, a limited partnership registered and domiciled in the Cayman Islands.