

CAMBRIDGE ASSOCIATES LIMITED

Registered number: 06135829

Group Financial Statements
For the year ended 31 December 2017

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CAMBRIDGE ASSOCIATES LIMITED

Index 31 December 2017

Page

CONTENTS:

Strategic Report	2
Directors' Report	5
Independent Auditors' Report.....	8
Group and Parent Company Profit and Loss Accounts	10
Group and Parent Company Balance Sheets.....	11
Group Cash Flow Statement	12
Group Statement of Changes in Equity.....	13
Notes to the financial statements	14

CAMBRIDGE ASSOCIATES LIMITED
Registered number 06135829
Strategic report for the year ended 31 December 2017

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 2017.

Principal activities

The principal activity of the Group is to provide investment advisory services to professional clients and other Group entities. 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 2017 was £40.7 million, an increase of 6.3% over the 2016 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 2016 and remained consistent in 2017.

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 investment advisory and management fees (research, consulting and portfolio oversight), 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 2017 is £6.2 million, which is 113.4% more than the 2016 profit for the financial year. As set out in the business review and future developments section, Group turnover for the year ended 31 December 2017 is £40.7 million, an increase of 6.3% over the 2016 turnover. Group administrative expenses for the year ended 31 December 2017 were £32.9 million, a decrease of 4.6% from the 2016 administrative expenses primarily driven by a decrease in transfer pricing expense.

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 2017 were £15.3 million (£13.6 million for 2016). 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 2017 (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



David Druley
Director
24 April 2018

Registered office
80 Victoria Street
Cardinal Place
London SW1E 5JL

CAMBRIDGE ASSOCIATES LIMITED
Registered number 06135829
Directors' report for the year ended 31 December 2017

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2017. 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: £7,505,000 for the year ended 31 December 2017 (£1,434,000 for 2016).

Directors

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

Matthew Cutlan
David Druley
Chris 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 2017 and 2016.

CAMBRIDGE ASSOCIATES LIMITED
Registered number 06135829
Directors' report for the year ended 31 December 2017 (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 9 and 10 for the years ended 31 December 2017 and 31 December 2016, 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 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

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

CAMBRIDGE ASSOCIATES LIMITED

Registered number 06135829

Directors' report for the year ended 31 December 2017 (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



David Druley
Director
24 April 2018

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

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 2017 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 balance sheets as at 31 December 2017; the group and parent company profit and loss accounts, 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

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

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

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

CAMBRIDGE ASSOCIATES LIMITED

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

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 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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


Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.


Tina Ahuja (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 April 2018

CAMBRIDGE ASSOCIATES LIMITED
Group and Parent Company Profit and Loss Accounts
For the year ended 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		£000	£000	£000	£000
Turnover	4	40,734	38,312	40,733	38,325
Administrative expenses		(32,929)	(34,533)	(32,928)	(34,548)
Operating profit		7,805	3,779	7,805	3,777
Interest receivable and similar income		38	17	38	19
Interest payable and similar charges		(11)	(11)	(11)	(11)
Net interest income	5	27	6	27	8
Profit on ordinary activities before taxation	6	7,832	3,785	7,832	3,785
Tax on profit on ordinary activities	9	(1,604)	(867)	(1,604)	(867)
Profit for the financial year		6,228	2,918	6,228	2,918

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 2017

	Note	Group		Company	
		2017 £000	2016 £000	2017 £000	2016 £000
Fixed assets					
Tangible assets	11	1,027	1,352	1,027	1,352
Current assets					
Debtors	12	8,087	9,271	8,088	9,273
Other investments	13	6,326	4,087	6,326	4,087
Cash at bank and in hand		8,952	9,526	8,950	9,522
		<u>23,365</u>	<u>22,884</u>	<u>23,364</u>	<u>22,882</u>
Creditors: amounts falling due within one year	14	(19,195)	(17,687)	(19,194)	(17,685)
Net current assets		<u>4,170</u>	<u>5,197</u>	<u>4,170</u>	<u>5,197</u>
Total assets less current liabilities		<u>5,197</u>	<u>6,549</u>	<u>5,197</u>	<u>6,549</u>
Creditors: amounts falling due after more than one year	15	(408)	(483)	(408)	(483)
Net assets		<u>4,789</u>	<u>6,066</u>	<u>4,789</u>	<u>6,066</u>
Capital and reserves					
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	2,213	3,490	2,213	3,490
Total shareholder's funds		<u>4,789</u>	<u>6,066</u>	<u>4,789</u>	<u>6,066</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 24 April 2018 and were signed on its behalf by:

David Druley

David Druley
Director

CAMBRIDGE ASSOCIATES LIMITED
Group Cash Flow Statement
For the year ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit on ordinary activities before taxation	7,832	3,785
Adjustments for:		
Bad debt expense	(94)	-
Depreciation of tangible assets	336	408
Interest received	(42)	(12)
Amortization of lease incentives	(125)	(128)
Decrease / (Increase) in debtors	1,271	(2,415)
Increase in creditors	1,149	4,545
Cash from operations	<u>10,327</u>	<u>6,183</u>
Income taxes paid	(1,154)	(901)
Net cash generated from operating activities	<u>9,173</u>	<u>5,282</u>
Cash flows from investing activities		
Purchase of tangible assets	(11)	(90)
Interest received	42	12
Purchase of other investments	(2,238)	(11)
Net cash used in investing activities	<u>(2,207)</u>	<u>(89)</u>
Cash flows from financing activities		
Dividends paid	(7,505)	(1,434)
Capital lease payments	(35)	(38)
Net cash used in financing activities	<u>(7,540)</u>	<u>(1,472)</u>
Net increase in cash and cash equivalents	(574)	3,721
Cash and cash equivalents at the beginning of the year	9,526	5,805
Cash and cash equivalents at the end of the year	<u>8,952</u>	<u>9,526</u>

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 2017

	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 2016		50	2,526	-	2,006	4,582
Profit for the financial year		-	-	-	2,918	2,918
Dividends paid to equity holders	10	-	-	-	(1,434)	(1,434)
Equity settled option cost	20	-	-	193	-	193
Capital contribution	20	-	-	(193)	-	(193)
At 31 December 2016		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		<u>50</u>	<u>2,526</u>	<u>-</u>	<u>2,213</u>	<u>4,789</u>

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 2017

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 2017 and 2016 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 and the consolidated statement of cash flows, included in these financial statements, include the Company’s cash flows.

(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 2017. 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 2017 *(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:

Leashold 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 2017 (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 2017 (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 (2016: 50,000) ordinary shares authorized and outstanding with a par value of £1 per share as of 31 December 2017 and 2016. 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 2017 (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 £15,278 at 31 December 2017 (£13,613 at 31 December 2016). 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	
	2017 £000	2016 £000
Turnover	40,734	38,312
By geographical market		
Europe	26,933	26,575
Middle East & Africa	5,022	6,193
Caribbean	8,720	5,243
Asia	-	242
South America	59	59
	40,734	38,312

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 2017 (continued)****Amounts are shown in £000s****5 Net interest income**

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Interest income	38	17	38	17
Bank service charges	(11)	(11)	(11)	(11)
Net result / profit derived from wholly owned subsidiary				2
	27	6	27	8

6 Profit on ordinary activities before taxation

	2017	2016
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Staff costs	17,646	16,523
Depreciation - Owned assets	336	408
Hiring of Building - operating lease	1,719	1,605
Auditors remuneration:		
Fees payable to the company auditors for the audit of Parent Company and consolidated financial statements	115	100
Fees payable to the Group's auditors and its associates for other services:		
Tax services	66	114
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 £41 for the year ended 31 December 2017 (2016: £41).

7 Staff costs

The monthly average number of persons employed by the Group (including directors) during 2017 and 2016, analysed by category, was as follows:

	2017	2016
Global Investment Services	64	79
Global Research	18	18
Portfolio Services	18	4
Systems	1	2
Shared Services	12	13
	113	116

CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2017 (continued)****Amounts are shown in £000s****7 Staff costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	14,535	13,763
Unit option expense	271	193
Social security costs	1,879	1,731
Other pension costs	961	836
	<u>17,646</u>	<u>16,523</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:

	2017 £000	2016 £000
Salaries and other short-term benefits	2,980	2,393
Post-employment benefits	234	322
	<u>3,214</u>	<u>2,715</u>

The highest paid director's compensation is shown below:

	2017 £000	2016 £000
Salaries and other short-term benefits	530	485
Post-employment benefits	42	57
	<u>572</u>	<u>542</u>

8 Directors emoluments

Chris Ivey, Matthew Cutlan, and David Druley did not receive any incremental emoluments for their services as directors of the Company in 2017 or 2016.

CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2017 (continued)

Amounts are shown in £000s

9 Tax on profit on ordinary activities

Group and Company:

	2017 £000	2016 £000
Tax on profit on ordinary activities:		
UK corporation tax on profits for the year	1,482	737
Adjustment in respect of prior years	-	33
Foreign tax on profits for the year	93	102
Total tax on profit on ordinary activities	1,575	872
Deferred tax		
Origination of timing differences	29	(19)
Adjustment in respect of prior years - deferred tax	-	14
Total deferred tax	29	(5)
Total tax on profit on ordinary activities	1,604	867

The tax for the year is higher (2016: higher) than the standard effective tax rate of corporate tax for the year ended 31 December 2017. The factors affecting the tax charge for the current year are as follows:

	2017 £000	2016 £000
Total tax reconciliation:		
Profit on ordinary activities before taxation	7,832	3,785
Profit on ordinary activities before taxation multiplied by UK standard rate of corporation tax at 19.25% (2016: 20.00%)	1,508	757
Effects of:		
Expenses not deductible for tax purposes	123	87
Other short term timing differences	(27)	(20)
Adjustment in respect of prior years	-	43
Total tax charge	1,604	867

CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2017 (continued)****Amounts are shown in £000s****9 Tax on profit on ordinary activities (continued)**

	2017 £000	2016 £000
Deferred tax		
At 1 January	(16)	(21)
Adjustment in respect of prior years - deferred tax	-	(10)
Deferred charge tax in profit and loss account for the year	(29)	15
At 31 December	<u>(45)</u>	<u>(16)</u>
Components of deferred tax		
Accelerated capital allowances	(80)	(70)
Bad debt provision	5	24
Performance reporting reserve	15	13
Unpaid pension contributions	15	17
	<u>(45)</u>	<u>(16)</u>

As presented on the profit and loss account, as of 31 December 2017, 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 19.25% (2016: 20.00%) for the year ended 31 December 2017.

During the Autumn Statement of 2016 the Chancellor announced further reductions to the main rate of corporate tax to 19% and then 17% from 1 April 2017 and 2020, respectively. These reductions to 19% and 17% with effect from 1 April 2017 and 1 April 2019 respectively were enacted in the Finance Act 2016. As a result of these changes, the relevant deferred tax balances have been re-measured.

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

	2017	2016
Dividends paid in the financial year (£000)	7,505	1,434
Dividends paid per share (per £1 Share)	£150.10	£28.68

CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2017 (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
Cost					
At 1 January 2017	2,488	1,295	448	149	4,380
Additions	-	-	11	-	11
Disposals	-	(7)	(76)	-	(83)
At 31 December 2017	2,488	1,288	383	149	4,308
Accumulated depreciation					
At 1 January 2017	(1,575)	(956)	(378)	(119)	(3,028)
Change in the financial year	(193)	(79)	(34)	(30)	(336)
Disposals	-	7	76	-	83
At 31 December 2017	(1,768)	(1,028)	(336)	(149)	(3,281)
Net book amount					
At 1 January 2017	913	339	70	30	1,352
At 31 December 2017	720	260	47	-	1,027

12 Debtors

Amounts falling due within one year:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	4,819	5,830	4,418	5,534
Amounts owed by group undertakings	(7)	-	931	856
Other debtors and accrued income	2,332	2,578	1,782	2,006
Prepayments	943	863	957	877
	8,087	9,271	8,088	9,273

At 31 December 2017, trade debtors are stated after provisions for impairment of £20 (2016: £120) for the Group and £21 (2016: £121) for the Company. Debtor write-offs for the Group during 2017 and 2016 were £6 and £0, respectively. 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 matured in February 2018. (2016: February 2017).

CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2017 (continued)

Amounts are shown in £000s

14 Creditors: amounts falling due within one year

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade creditors	161	164	160	164
Amounts owed to group undertakings	11,991	10,616	11,991	10,616
Other creditors	4,198	4,057	4,198	4,057
Other taxation and social security	1,307	1,063	1,307	1,063
Accruals and deferred income	1,538	1,787	1,538	1,785
	19,195	17,687	19,194	17,685

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:

	2017 £000	2016 £000
Other creditors	408	483

16 Called up share capital

Group and Company:

	2017 £000	2016 £000
Authorised, allotted and fully paid		
50,000 (2016: 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 2017	2,526	-	3,490	2,526	-	3,490
Profit for the financial year	-	-	6,228	-	-	6,228
Dividends	-	-	(7,505)	-	-	(7,505)
Equity settled option cost	-	271	-	-	271	-
Capital contribution	-	(271)	-	-	(271)	-
At 31 December 2017	2,526	-	2,213	2,526	-	2,213

CAMBRIDGE ASSOCIATES LIMITED

Notes to the financial statements for the year ended 31 December 2017 (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:

	2017 £000	2016 £000
No later than 1-year	1,719	1,605
Later than 1 year and no later than 5 years	5,157	6,420
Later than 5 years	-	-
Total	6,876	8,025

19 Pension plan

The Group operates a defined contribution pension plan. The pension cost charge for the year ended 31 December 2017 and 2016 represents contributions payable by the Group to the plan and amounted to £961 and £836, respectively. At the end of the financial period 2017 and 2016, contributions amounting to £76 and £87 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 £271 and £193 during the years ended 31 December 2017 and 2016, 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.

The Agreement automatically renews for successive 12-month periods. There was no related party turnover for the years ended 31 December 2017 and 2016. The related party expense for the years ended 31 December 2017 and 2016 is as follows:

CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2017 (continued)****Amounts are shown in £000s****21 Related party disclosure (continued)**

	2017 £000	2016 £000
Related party expense to:		
CA LLC	761	2,845
CA Asia	5,199	6,183
CA Beijing	2,099	2,285
Total related party expense	<u>8,059</u>	<u>11,313</u>

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:

	2017 £000	2016 £000
CA LLC	817	157
CA LTD LLC	7	-
CA Beijing	4,279	3,800
CA Asia	6,896	6,659
Total due to related parties, net	<u>11,999</u>	<u>10,616</u>

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.

The Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of the Company are available from 80 Victoria Street, Cardinal Place, London SW1E 5JL.

CAMBRIDGE ASSOCIATES LIMITED**Notes to the financial statements for the year ended 31 December 2017 (continued)****Amounts are shown in £000s****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.