Registration No. 03981254

Registered Office:

Ninth Floor, Ten Bishops Square,
London E1 6EG, United Kingdom

MSCI LIMITED

Report and Financial Statements

For the year ended

31 December 2017

MSCI LIMITED

MSCI LIMITED

STRATEGIC REPORT

The Directors present the Strategic Report for MSCI Limited (the "Company") for the year ended 31 December 2017 and in doing so have complied with s414c of the Companies Act 2006.

The financial statements of the Company for the year ended 31 December 2017 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

REVIEW OF THE BUSINESS

The Company is based in London and operates branches in Paris, Milan and Dubai. The Company's immediate parent undertaking is MSCI UK Holdings Limited, a company incorporated in the United Kingdom.

With effect from 1 January 2017, the MSCI Inc. Group (the "Group") has implemented certain operational changes which have had an impact on the provision of services by the Company. Among the changes that have taken place, the Company has been engaged by MSCI Barra (Suisse) Sàrl, a fellow Group undertaking in Switzerland, as the non-exclusive distributor of index and analytics products in all territories outside the United States of America. In consequence, the Company has become the contracting party with customers for the provision of MSCI index and analytics products and services outside the United States of America with effect from the start of the next annual period of license commencing 1 January 2017 or thereafter. The Company pays MSCI Barra (Suisse) Sàrl a purchase price for the products distributed (the "distributor fee") such that the Company earns an arm's length operating margin.

With effect from 1 January 2017, the Company has also entered into a new intercompany agreement with MSCI G.K., an indirect subsidiary undertaking domiciled in Japan, whereby MSCI G.K. acts as a sub-distributor on behalf of the Company for the provision of MSCI index and analytics products and services in Japan. The Company earns sub-distributor income from MSCI G.K. in respect of this activity.

With effect from 1 January 2017, the Company has also entered into new intercompany services agreements with fellow Group undertakings for the provision to the Company of sales and marketing support services outside the United States of America. In general, the Company remunerates these services at a marked up rate of cost plus 10%. Furthermore, the Company has entered into a new agreement to provide operations, production support and research and development services to MSCI Barra (Suisse) Sàrl, for which it is remunerated at a marked up rate.

In 2017 the Company has continued to earn income from MSCI Inc. through application of the residual profit split agreement that became effective on 1 January 2016, as the Company has started to recognized revenues from customers only with effect from the anniversary date of specific orders and schedules as they have renewed throughout 2017. However, in light of the above changes, this agreement has terminated with effect at 31 December 2017.

In light of the above operational changes, the Directors have conducted a review of the primary operating environment of the Company and have approved a change in the Company's functional currency from Pounds sterling to the US Dollar, with effect at 1 January 2017. All currency amounts in the Strategic Report, the Directors' Report, the Financial Statements and the Notes to the Financial Statements are rounded to the nearest thousand US Dollars, except where stated otherwise.

Certain project and portfolio management services are performed by the Company's employees on behalf of Investment Property Databank Limited, an indirect subsidiary of the Company and are recharged to Investment Property Databank Limited at actual cost value.

Both the level of business during the year and the financial position at the end of the year were satisfactory. All significant changes in the Company's principal business activity to have taken place in 2017 are noted above.

The Statement of Comprehensive Income is set out on page 9. The Company has recorded an operating profit of $68,096k in 2017 (2016: $27,987k), representing an increase of $40,109k, or 143%, compared to the prior year. The Company has recorded a profit of $54,563k for the current financial year (2016: $20,671k), representing an increase of $33,892k, or 164%, compared to 2016. These increases are the result of the operational changes noted above.

Revenue has increased to $483,735k in 2017 (2016: $102,055), with revenue earned from customers increasing to $382,219k in 2017 (2016: $26k), primarily as a result of the operational changes noted above. Intercompany income has decreased only slightly in 2017 to $101,516k (2016: $102,029k).

The Company has recorded intercompany expenses of $343,735k in 2017 (2016: $nil), representing the distributor fee payable to MSCI Barra (Suisse) Sàrl and other intercompany expenses incurred with fellow Group undertakings for sales and marketing support services.

Administrative expenses have increased by $12,517k in 2017, or 21%, compared to the prior year. The increase in administrative expenses is driven primarily by an increase in staff costs of $11,503k, due to higher salary and wage costs, related social security costs and share-based payment expenses as a result of additional headcount and inflationary salary increases.

The Company has incurred no impairment loss on its investments in subsidiary undertakings in 2017. In 2016 the Company determined that its investment in IPD Group Limited had become impaired and, accordingly, wrote down the value of its investment by $22,012k at balance sheet date with the corresponding asset impairment loss being reflected in the Statement of Comprehensive Income.

Other operating income has declined to $672k in 2017 from $8,003k in 2016 as the Company has ceased its recharges of analytics support charges to RiskMetrics (UK) Limited, a fellow Group undertaking in the United Kingdom. With effect from 1 January 2017, as a result of the operating changes noted above, RiskMetrics (UK) Limited has instead provided sales and marketing support services to the Company, for which it is remunerated at a marked up rate of cost plus 10%.

The Company has recorded a profit before taxation of $68,392k in 2017 (2016: $27,508k), representing an increase of $40,884k, or 149%, compared to the prior year. Finance income has increased to $1,007k in 2017 (2016: $35k) as a result of higher interest receivable on significantly higher cash balances. Finance expenses have increased to $711k (2016: $514k), primarily as a result of higher foreign exchange losses.

The Statement of Financial Position is set out on page 10 and shows the net assets of the Company at 31 December 2017 are $201,962k (2016: $156,548k). Net current assets have grown to $99,961 (2016: $54,573k), primarily as a result of increases in trade debtors and cash and cash equivalents, only partially offset by increases in accruals and deferred income, amounts owed to Group undertakings and other creditors.

KEY PERFORMANCE INDICATORS

The performance of the Company is included in the results of the MSCI Inc. Group which are discussed in the Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission. The Group manages its key performance indicators on a global basis. For these reasons, the Company's Directors believe that providing performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management objectives and policies

Risk is an inherent part of the Company's business activity and is managed within the context of the broader Group's business activities. The Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities, in accordance with defined policies and procedures. A detailed assessment of the risk factors considered by the Group is provided in the Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission.

Credit risk

Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor is unable to meet its financial obligations.

The Group manages credit risk exposure in consideration of each individual legal entity, but on a global basis, by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit, and escalating risk concentrations to appropriate senior management. Historically credit risk associated with trade debtors is not significant.

Liquidity and cash flow risk

The Group's senior management establishes the overall liquidity and capital policies of the Group. The Group's liquidity and funding risk management policies are designed to mitigate the potential risk that the Group and the Company may be unable to access adequate financing to service its financial obligations when they fall due without material, adverse franchise or business impact. The key objectives of the liquidity and funding risk management framework are to support the successful execution of the Group's and the Company's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial distress.

FUTURE DEVELOPMENTS

The Group believes it is well-positioned for growth over time and has a multi-faceted growth strategy that builds on its strong client relationships, products and services. The Company's revenues are expected to continue to grow in the future in line with this strategy.

On 23 June 2016 the United Kingdom voted to leave the European Union (the "EU"), with the country's scheduled departure date set at 29 March 2019. The Company does not expect that the United Kingdom's exit from the EU will have a significant impact on its business or its operations in the future.

POST BALANCE SHEET EVENTS

The EU has enacted new regulations making the provision of benchmarks a regulated activity in the EU and restricting certain usage of benchmarks in the EU to EU regulated benchmarks. On 29 October 2017 MSCI Limited applied for authorization with the United Kingdom's Financial Conduct Authority ("FCA") as an EU benchmark administrator. On 5 March 2018, the FCA granted MSCI Limited authorization as a UK benchmark administrator under the EU Benchmark Regulation (BMR).

On 15 February 2018 the Directors of the Company's subsidiary undertaking, Barra International, LLC, approved the payment to the Company of an interim dividend in the amount of $14,000k.

On 14 March 2018, the Directors approved a reduction to nil of the Company's share premium account with a corresponding transfer to the Company's profit and loss account.

On behalf of the Board on 27 June 2018

T E Foster

Director

Ninth Floor,
Ten Bishops Square,
London E1 6EG
United Kingdom

MSCI LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements on the affairs of the Company for the year ended 31 December 2017.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report beginning on page 1 and form part of this report by cross-reference.

DIVIDENDS

On 27 November 2017, the Directors approved the payment of an interim dividend of £85k per ordinary share, amounting to a total dividend of £8,755k, equivalent to $11,676k (2016: $nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

BRANCHES OUTSIDE THE UNITED KINGDOM

The Company operates branches outside the United Kingdom, as defined in section 1046 (3) of the Companies Act 2006, as follows:

Paris, France
Milan, Italy
Dubai, United Arab Emirates

GOING CONCERN

At 31 December 2017 the Company has $224,334k in cash and cash equivalents and net current assets of $99,961k. The Directors believe that the Company operates with satisfactory cash flow and has little exposure to credit, liquidity or other financial risk. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

DIRECTORS

The following Directors of the Company were in office during the year and up to the date of signing the financial statements:

T E Foster
M A Michaelides (appointed 30 May 2017, resigned 22 June 2018)
J C Pawliczek (resigned 30 May 2017)
C D B Pettit (appointed 15 September 2017)
O Pulickal (resigned 15 September 2017)
J M Procter
S H Doole (appointed 19 December 2017)
S R Lieblich (appointed 19 December 2017)

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks as identified in relation to the Company's operations are managed as described in the Strategic Report.

MSCI LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

Both the Company and the Group place considerable value on the investment in their employees and have continued their practice of keeping employees informed on matters affecting them. Employees are encouraged to present their suggestions and views on the Group's performance to management and employees participate directly in the success of the business through both the Company's and the Group's various compensation incentive plans.

Every effort is also made to ensure that disabled applicants, or those existing employees that are disabled or may have become disabled, are treated as fairly as possible on terms comparable with those of other employees. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

INDEPENDENT AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP was appointed as the Company's auditors for the year ended 31 December 2017 and has indicated its willingness to continue in office as auditors of the Company and under Sections 485 to 488 of the CA 2006 will be deemed to be reappointed.

The financial statements on pages 9 to 30 were approved by the Board of Directors on 27 June 2018 and signed on its behalf by

T E Foster

Director

MSCI LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 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 Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The financial statements on pages 9 to 30 were approved by the Board of Directors on 27 June 2018 and signed on its behalf by

T E Foster

Director

Ninth Floor,
Ten Bishops Square,
London E1 6EG
United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSCI LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, MSCI Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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 Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the 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 company 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 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 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSCI LIMITED (CONTINUED)

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 company and its 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, 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 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

A. Barford

Andrew Barford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2018

MSCI LIMITED

STATEMENT OF COMPREHENSIVE INCOME
As at 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	5	**483,735**	**102,055**
Administrative expenses	6	(72,576)	(60,059)
Intercompany expenses	7	(343,735)	-
Impairment loss on investments	8	-	(22,012)
Other operating income	9	672	8,003
Operating profit		**68,096**	**27,987**
Finance income	11	1,007	35
Finance expenses	12	(711)	(514)
Profit on ordinary activities before taxation		**68,392**	**27,508**
Tax on profit	13	(13,829)	(6,837)
PROFIT FOR THE FINANCIAL YEAR		**54,563**	**20,671**
Other comprehensive income/(expense)			
Currency translation differences on foreign currency net investments		383	552
Actuarial loss on pension	23	(19)	-
Total other comprehensive income		**364**	**552**
TOTAL COMPREHENSIVE INCOME		**54,927**	**21,223**
Total comprehensive income for the year attributable to:			
Owners of the parent		**54,927**	**21,223**

All operations were continuing in the current and prior year.

The notes on pages 12 to 30 form an integral part of the financial statements.

MSCI LIMITED
Registration No: 03981254

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 $'000	2016 $'000
FIXED ASSETS			
Intangible assets	14	333	1,019
Property, plant and equipment	15	4,338	4,052
Investments	16	101,252	99,089
		105,923	**104,160**
CURRENT ASSETS			
Debtors	17	140,012	47,527
Cash and cash equivalents		224,334	44,388
		364,346	**91,915**
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	19	(264,385)	(37,342)
		(264,385)	**(37,342)**
NET CURRENT ASSETS		**99,961**	**54,573**
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,884**	**158,733**
NON-CURRENT LIABILITIES			
Other creditors	22	(3,663)	(1,993)
Pensions and similar obligations	23	(259)	(192)
		(3,922)	**(2,185)**
NET ASSETS		**201,962**	**156,548**
EQUITY			
Called up share capital	24	-	-
Share premium account		77,103	74,940
Revaluation reserve		856	473
Profit and loss account		124,003	81,135
TOTAL SHAREHOLDERS' FUNDS		**201,962**	**156,548**

The notes on pages 12 to 30 form an integral part of the financial statements.

These financial statements were approved by the Board and authorised for issue on 27 June 2018.

Signed on behalf of the Board

T E Foster

Director

MSCI LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called up share capital $'000	Share premium account $'000	Revaluation reserve $'000	Profit and loss account $'000	Total Shareholders' funds $'000
Balance at 1 January 2016	-	74,940	(79)	60,464	135,325
Profit for the financial year	-	-	-	20,671	20,671
Other comprehensive income	-	-	552	-	552
Total comprehensive income attributable to owners of the parent	-	-	552	20,671	21,223
Balance at 31 December 2016	**-**	**74,940**	**473**	**81,135**	**156,548**
Profit for the financial year	-	-	-	54,563	54,563
Capital contribution from parent	-	2,163	-	-	2,163
Dividend paid	-	-	-	(11,676)	(11,676)
Other comprehensive income	-	-	383	(19)	364
Total comprehensive income attributable to owners of the parent	-	2,163	383	42,868	45,414
Balance at 31 December 2017	**-**	**77,103**	**856**	**124,003**	**201,962**

The notes on pages 12 to 30 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

1. GENERAL INFORMATION

MSCI Limited is a private limited company, registered in England and Wales. The address of its registered office is Ninth Floor, Ten Bishops Square, London, E1 6EG, United Kingdom. The Company operates branches in Paris, Milan and Dubai.

The principal activity of the Company is the provision of equity index and risk and portfolio analytics products and services to customers outside the United States of America.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and the reduced disclosure framework set out in that standard is applied. The financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The Company has selected and applied its accounting policies consistently for similar transactions, other events and conditions.

3. ACCOUNTING POLICIES

a) Accounting convention

The Company's immediate parent is MSCI UK Holdings Limited which is a wholly-owned subsidiary of MSCI Inc. The Company is included in the consolidated financial statements of MSCI Inc., which are publicly available, and consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

b) Going concern

At 31 December 2017 the Company has $224,334k in cash and cash equivalents and net current assets of $99,961k. The Directors believe that the Company operates with satisfactory cash flow and has little exposure to credit, liquidity or other financial risk. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

c) Exemption for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions as the Company is a qualifying entity and the relevant disclosures are included in consolidated financial statements:

- preparing a statement of cash flows,
- disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18, 26.19, 26.21 and 26.23,
- disclosing the Company key management personnel compensation, as required by FRS 102 paragraphs 33.7,
- disclosing transactions with fellow Group undertakings under paragraph 33.1A of FRS 102.

The shareholders of the Company have been notified in writing and they do not object to the use of the disclosure exemptions.

d) Functional currency

The financial statements of the Company have historically been prepared in Pounds Sterling. With effect from 1 January 2017, the Group has implemented certain operational changes (as summarized in the Strategic Report) which have had an impact on the Company's primary operating environment. Revenue earned from third party customers is primarily in US Dollars, while the majority of expenses incurred by the Company are also denominated in US Dollars.

The Company has conducted a review of the primary operating environment with reference to FRS 102 and has concluded that a change in functional currency from Pounds Sterling to the US Dollar is appropriate and, accordingly, the functional currency of the Company was changed from Pounds Sterling to the US Dollar with effect at 1 January 2017.

3. **ACCOUNTING POLICIES (CONTINUED)**

d) Functional currency (continued)

According to FRS 102 (paragraph 30), the effect of a change in an entity's functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency, using the exchange rate at the date of change. The resulting translated amounts for non-monetary items are treated as their historical cost going forward. For presentation purposes, all comparative foreign currency prior year amounts have been converted to the US Dollar using the closing spot rate as of 31 December 2016.

All currency amounts in the Strategic Report, the Directors' Report, the Financial Statements and the Notes to the Financial Statements are rounded to the nearest thousand US Dollars, except where stated otherwise.

e) Foreign currencies

All monetary assets and liabilities denominated in currencies other than the US Dollar are translated into the US Dollar at the rates ruling at the balance sheet date. Amounts in the balance sheets of the Company's overseas branches are translated into the US Dollar using the closing rate method. Transactions in currencies other than the US Dollar are recorded at the rates ruling at the dates of the transaction. Translation differences arising from the net investments in the overseas branches are taken to the foreign currency revaluation reserve. Revaluation differences are presented in the Statement of Comprehensive Income.

f) Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment in value. Depreciation is provided on tangible assets at rates calculated to write-off the cost of the assets on a straight-line basis over their expected useful lives as follows:

- Assets in the course of construction are stated at cost. No depreciation is provided as such assets are not available for use.
- Leasehold improvements are depreciated over the lesser of the estimated useful life of the asset or the remaining term of the lease, but not exceeding 15 years.
- Fixtures, fittings and equipment are depreciated over 3 to 7 years.

g) Intangible assets

Intangible assets of the Company represent software licences. Intangible assets are stated at cost net of amortisation and any provision for impairment in value.

Amortisation is provided on intangible assets at rates calculated to write down the cost of the assets on a straight-line basis over their expected useful lives, as follows:

- Software licences are amortised over 3 to 5 years.

h) Fixed asset investments

Fixed asset investments represent investments in subsidiary undertakings and are stated at cost less provisions for impairment, if any.

i) Debtors

Debtors are initially recognised at transaction price. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

j) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3. ACCOUNTING POLICIES (CONTINUED)

k) Offsetting of financial assets and financial liabilities

Where there is a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the balance sheet. All other amounts are presented on a gross basis.

l) Cash

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured at fair value.

m) Taxation

Provisions are established based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which the Company operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax liabilities/assets shall be measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply in the periods in which the timing difference is expected to reverse. An entity shall not discount current or deferred tax liabilities or deferred tax assets.

n) Operating leases

An operating lease allows for the use of an asset, but does not convey rights of ownership of the asset. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Rentals receivable under operating leases are credited to the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are allocated on a straight-line basis over the shorter of the lease term and a period ending on a date from which it is expected the market rent will be payable.

Rent should be recognized as expense over the lease term as it becomes payable. If rent instalments are not paid on a straight-line basis, rent expense still needs to be recognized on a straight-line basis. Differences between monthly rent expenses and actual rent payments are shown as deferred rent in the balance sheet.

o) Vacation accrual

Short-term employee benefits are charged to the Statement of Comprehensive Income as employee services are received. Vacation expense is recognised in the Statement of Comprehensive Income on an accrual basis.

p) Interest receivable and interest payable

Interest receivable and interest payable arises from cash and intercompany balances and financing activities. Interest is recognised in the Statement of Comprehensive Income on an accrual basis using the effective interest method.

3. **ACCOUNTING POLICIES (CONTINUED)**

q) Revenue

The Company's main source of income is the provision of equity index and risk and portfolio analytics products and services to third party customers outside the United States of America. The Company also earns income from fellow Group undertakings.

Revenue is only recognised by the Company when it is probable that any future economic benefit associated with the transaction will flow to the entity and the amount of revenue can be measured with reliability. Specifically, the following four criteria must have been met: the Company has persuasive evidence of a legally binding customer arrangement, delivery which transfers the risks and rewards of ownership has occurred, client fee is deemed fixed or determinable and collection is reasonably assured.

In most cases, the Company recognizes revenues from subscription arrangements with third party customers ratably over the term of the license agreement pursuant to the contract's terms. The contracts state the terms under which these fees are to be calculated. The fees are recognized as the Company supplies the product and service to the client over the license period and are generally billed in advance, prior to the license start date. For products and services whose fees are based on estimated assets under management linked to the Company's indexes, or contract values related to futures and options, the Company recognizes revenues based on estimates from independent third-party sources or the most recently reported information from the client.

Asset-based fees are principally recognized based on the estimated Assets under Management ("AUM") linked to MSCI indexes from independent third-party sources or the most recently reported information provided by clients. Asset-based fees include revenues related to futures and options contracts linked to our indexes, which are primarily based on trading volumes.

Non-recurring revenues primarily represent fees earned on products and services where we do not have renewal contracts and primarily include revenues for providing historical data, certain implementation services and other special client requests. Based on the nature of the services provided, non-recurring revenues are recognized upon delivery or over the service period.

In 2016 the Company performed services on behalf of MSCI Inc., for which it was remunerated with intercompany income and a share of Group residual profits. In 2017 the Company has continued to earn income from MSCI Inc. and has also earned income from MSCI Barra (Suisse) Sàrl in respect of data production and research and development activities. Revenue earned by the Company from agreements with fellow Group undertakings is recognized on an accruals basis as services are performed.

r) Accrued and deferred income

Deferred income represents amounts billed to third party customers for products and services in advance of delivery. The Company's third party customers generally pay subscription fees annually or quarterly in advance. Deferred income is generally amortized ratably over the service period as revenue recognition criteria are met. Where the service period has not begun and the client has not paid or the contract has not been renewed, deferred income and accounts receivable are not recognized.

s) Other operating income

The Company recharges the cost of certain services performed by the Company's employees which are directly attributable to other Group companies. These services are recharged at actual cost value. The Company recharges the cost of real estate project and portfolio management services performed by certain of the Company's employees to Investment Property Databank Limited. In 2016 the Company also recharged risk analytics sales, account management and client support, analytics consulting, risk analytics product management and other ancillary services to RiskMetrics UK Limited.

t) Intercompany expenses

Intercompany expenses recognized by the Company from agreements with fellow Group undertakings are recognized on an accruals basis as services are received.

3. ACCOUNTING POLICIES (CONTINUED)

u) Retirement benefits

The Company operates a defined contribution retirement plan. The contributions due are recognised in the Statement of Comprehensive Income when payable.

The Company accounts for end of service gratuity indemnities in its branches in Paris and Dubai as defined benefit retirement schemes. For defined benefit schemes, liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate that reflects the current rate of return on a high-quality corporate bond of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. Any deficit of scheme assets over liabilities is recognised in the balance sheet as a liability. The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to administrative expenses. Actuarial gains or losses are recognised in full in the period in which they occur in other comprehensive income. Details of the plans are given in note 23 to these financials statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment of receivables

The Company makes an estimate of the recoverable value of current receivables. When assessing impairment of receivables, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical collection experience.

b) Impairment of investments

In accordance with the applicable UK accounting standard, FRS 102, the Company performs a yearly impairment review of its investments to determine whether conditions exist that would indicate that the carrying amount of the fixed asset investment may not be recoverable as of the balance sheet date.

c) Share-based payments

MSCI Inc. operates equity-based compensation plans on behalf of the Company and, in relation to which, the Company pays MSCI Inc. in consideration of the procurement of the transfer of shares to employees. The cost of equity based transactions with employees is measured based on the fair value of the equity instruments at grant date. The fair value of restricted stock unit awards is based on the market price of MSCI Inc. shares.

Non-market vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting over time the number of equity instruments included in the measurement of the transaction such that the amount ultimately recognised reflects the number that actually vest. The expense for FRS 102 Share-based payment ("FRS 102 Section 26") purposes is taken directly to the Statement of Comprehensive Income as services are received from the Company's employees during the vesting period with a corresponding liability established to the extent that payments are due to MSCI Inc. in respect of these awards. The Company's policy is to accrue the estimated cost of share-based awards granted to retirement eligible employees, for whom the awards have no vesting conditions, over the course of the financial year in which they were earned, rather than expensing the awards on the date of grant.

d) Intercompany transactions

Intercompany service fee income and intercompany expenses are calculated on an arm's length basis (which involves certain estimates being made) according to the relevant intercompany agreement.

5. REVENUE

The Company has two classes of business, as described in the Strategic Report. The Company's main source of income is the provision of equity index and risk and portfolio analytics products and services to third party customers outside the United States of America. The Company also earns income from fellow Group undertakings, recorded on an accruals basis.

A geographical analysis of revenue by origination is as follows:

	2017	2016
	$'000	$'000
Europe (ex United Kingdom), Middle East and Africa	170,703	26
United Kingdom	117,823	-
United States of America	78,870	102,029
Asia (ex Japan)	70,261	-
Americas (ex United States of America)	23,674	-
Japan	22,404	-
	483,735	**102,055**

Analysis of revenue by class is as follows:

	2017	2016
	$'000	$'000
Third party customer revenue	382,219	26
Income earned from fellow Group undertakings	101,516	102,029
	483,735	**102,055**

6. ADMINISTRATIVE EXPENSES

The monthly average number of employees, including the Directors, employed by the Company is represented in the table below:

	2017	2016
	No.	No.
France	12	12
Italy	8	7
United Arab Emirates	3	5
United Kingdom	155	145
Total	**178**	**169**

Administrative expenses, including the costs of staff and Directors, are analysed below:

	2017	2016
	$'000	$'000
Wages and salaries	50,140	41,059
Social security costs	8,331	6,198
Other pension costs	2,351	2,062
Other administrative expenses	11,754	10,740
	72,576	**60,059**

6. ADMINISTRATIVE EXPENSES (CONTINUED)

	2017 $'000	2016 $'000
Other administrative expenses are stated after charging:		
Operating lease rentals	1,614	1,443
Depreciation on fixed assets	788	776
Intangible amortisation	704	812
Auditors' remuneration - audit fees	194	74
The International Organization of Securities Commissions compliance review by PricewaterhouseCoopers LLP	15	157

7. INTERCOMPANY EXPENSES

With effect from 1 January 2017, the Company has incurred intercompany expenses with fellow Group undertakings. Intercompany expenses are analysed below:

	2017 $'000	2016 $'000
Distributor fee payable to MSCI Barra (Suisse) Sàrl	314,609	-
Selling & Marketing expenses payable to other Group undertakings	29,126	-
	343,735	-

8. IMPAIRMENT LOSS ON INVESTMENTS

	2017 $'000	2016 $'000
Impairment loss on investments	-	22,012

No impairment loss has been recorded by the Company in 2017. In 2016, the Company performed an asset impairment review at balance sheet date and determined that its investment in IPD Group Limited had become impaired to the value of $22,012k. The Company wrote down the value of its investment in IPD Group Limited at 31 December 2016 by this amount with the corresponding asset impairment loss being reflected in the Statement of Comprehensive Income.

9. OTHER OPERATING INCOME

	2017 $'000	2016 $'000
Other operating income	672	8,003

Other operating income includes $672k (2016: $233k) of cost recharges to Investment Property Databank Limited, an indirect subsidiary undertaking, for project and portfolio management services performed by certain employees of the Company on behalf of the Group's Real Estate business.

No cost recharges have been recognised in 2017 (2016: $7,770k) in respect of analytics services performed by the Company's employees on behalf of RiskMetrics (UK) Limited, a fellow group undertaking. With effect from 1 January 2017 and in light of operational changes made within the Group (as described in the Strategic Report), RiskMetrics (UK) Limited has instead provided services to the Company for selling and marketing support activities performed in the United Kingdom.

10. DIRECTORS' EMOLUMENTS

	2017 $'000	2016 $'000
Total emoluments of all Directors:		
Aggregate emoluments	131	30

The Company paid remuneration to six Directors during the current year (2016: four). Two Directors (2016: one) are remunerated by a fellow Group undertaking, with the amount paid in respect of the Directors' qualifying services being disclosed in the financial statements of the Company. Remuneration received by Directors in respect of their services to the Company amounts to $131k (2016: $30k).

Directors' emoluments have been calculated as the sum of cash, accrued bonuses, and benefits in kind.

All Directors who are employees of the Group are eligible for shares and share options of the Company's ultimate parent undertaking, MSCI Inc., awarded under the Group's equity based long-term incentive schemes. No Directors exercised options during the year (2016: one). All Directors were awarded new grants under the Group's equity-based long-term incentive schemes, subject to the Group's standard vesting terms and conditions. The share-based payments expense recognised in respect of the qualifying services performed by Directors on behalf of the Company is $36k (2016: $1k).

No Directors received compensation for loss of office and there were no compensation payments for loss of office in respect of the qualifying services performed by Directors during the current or prior year. There are four Directors to whom retirement benefits are accruing under a money purchase scheme (2016: three).

11. FINANCE INCOME

	2017 $'000	2016 $'000
Other interest receivable	1,007	35
	1,007	**35**

Other interest receivable represents interest received on cash balances deposited with external financial institutions. The increase in interest in the current year is due to higher average cash balances deposited with external financial institutions.

12. FINANCE EXPENSES

	2017 $'000	2016 $'000
Other interest payable	28	16
Other foreign exchange losses	683	498
	711	**514**

Other interest payable represents interest charged by external financial institutions and interest charged on income tax balances.

Other foreign exchange losses are generated through the revaluation of monetary assets and liabilities into the functional currency of the Company.

13. TAX ON PROFIT

Analysis of charge in the year

	2017 $'000	2016 $'000
UK corporation tax at 19.25% (2016: 20%)		
- Current year	14,093	7,395
- Prior year adjustment	(6)	(3)
Foreign taxation relief	(767)	(90)
Withholding tax	1,332	100
Foreign Tax		
- Current year	345	194
- Adjustments in respect of prior periods	27	(71)
Total current tax charge	**15,024**	**7,525**
Deferred taxation		
- Current year	(1,197)	(670)
- Adjustments in respect of prior periods	2	13
- Effect of changes in tax rate	-	(31)
Total deferred tax charge/(credit)	**(1,195)**	**(688)**
Tax on profit	**13,829**	**6,837**

13. TAX ON PROFIT (CONTINUED)

Factors affecting the tax charge for the year

The current tax charge in the Statement of Comprehensive Income for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 $'000	2016 $'000
Profit before taxation	68,392	27,508
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	13,163	5,502
Effects of corporate income tax:		
Expenses not deductible for tax purposes	167	175
Non-deductible impairment in subsidiary	-	4,404
Income not taxable for tax purposes	(17)	(28)
Group relief claimed for nil payment	-	(2,323)
Higher tax rate on overseas earnings	174	105
Adjustments in respect of prior periods	23	(61)
Foreign withholding tax	1,332	99
Double taxation relief	(596)	-
Rate change	-	(33)
Share options	(473)	(1,003)
Foreign exchange	56	-
Total tax charge for the year	**13,829**	**6,837**

The headline rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The enactment of Finance Act 2016, on 15 September 2016, will further reduce the rate to 17% from 1 April 2020.

14. INTANGIBLE ASSETS

	Software licenses $'000
Cost	
At 1 January 2017	6,756
Additions	18
At 31 December 2017	**6,774**
Accumulated amortisation	
At 1 January 2017	(5,737)
Charge for the year	(704)
At 31 December 2017	**(6,441)**
Net book value	
At 31 December 2016	**1,019**
At 31 December 2017	**333**

Intangible assets include the Company's software licence with Oracle. The closing net book value of this asset is $213k (2016: $723k) and as of balance sheet date it has a remaining amortisation period of six months (2016: 1.5 years). There are no other individually material intangible assets.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Fixtures, fittings and equipment $'000	Assets in the course of construction $'000	Total $'000
Cost				
At 1 January 2017	4,509	3,061	7	7,577
Additions	76	874	6	956
Asset Retirements	-	(28)	-	(28)
Foreign exchange revaluation on assets held in overseas branch(es)	79	67	-	146
At 31 December 2017	**4,664**	**3,974**	**13**	**8,651**
Accumulated depreciation				
At 1 January 2017	(1,489)	(2,036)	-	(3,525)
Charge for the year	(350)	(438)	-	(788)
Asset Retirements	-	27	-	27
Foreign exchange revaluation on assets held in overseas branch(es)	(8)	(19)	-	(27)
At 31 December 2017	**(1,847)**	**(2,466)**	-	**(4,313)**
Net book value				
At 31 December 2016	**3,020**	**1,025**	**7**	**4,052**
At 31 December 2017	**2,817**	**1,508**	**13**	**4,338**

16. INVESTMENTS

The Company holds investments in subsidiary undertakings. Movements in the Company's investments in subsidiary undertakings during the year are set out below:

	Total $'000
At 1 January 2017	99,089
Additions	2,163
At 31 December 2017	**101,252**

16. INVESTMENTS (CONTINUED)

The Company has investments in the following subsidiary undertakings:

	Country of incorporation	Class of shares held	Proportion of voting rights	Net investment value at 1 January 2017	Additions	Net investment value at 31 December 2017
				$'000	$'000	$'000
Barra International, LLC	United States	Ordinary	100%	20,089	2,163	22,252
IPD Group Limited	United Kingdom	Ordinary	100%	79,000	-	79,000
						101,252

On 1 October 2017, as a result of restructuring within the Group, MSCI Inc. contributed its shares in MSCI G.K. down the Group chain of ownership to Barra International, LLC. As part of the transaction the Company recorded an additional investment in Barra International, LLC for $2,163k (£1,612k).

The Company has performed an impairment review of its investments at 31 December 2017 to determine whether conditions exist that would indicate that the carrying amount of the investments may not be recoverable as of the balance sheet date. The Directors believe that the carrying value of the Company's investments at 31 December 2017 is supported by their underlying cash flows and, accordingly, no asset impairment loss has been recorded in the current financial year.

At 31 December 2016 the Company determined that its investment in IPD Group Limited had become impaired to the value of $22,012k. The Company wrote down the value of its investment in IPD Group Limited at 31 December 2016 by this amount with the corresponding asset impairment loss being reflected in the Statement of Comprehensive Income.

At 31 December 2017 the Company has the following indirect subsidiary undertakings:

	Country of incorporation	Class of shares held	Proportion of voting rights
MSCI G.K.	Japan	Ordinary	100%
BarraConsult Ltda.	Brazil	Ordinary	99.99%
Investment Property Databank Limited	United Kingdom	Ordinary	100%
IPD France SAS	France	Ordinary	100%
IPD Investment Property Databank GmbH	Germany	Ordinary	100%
IPD Norden AB	Sweden	Ordinary	100%
Investment Property Databank South Africa (Pty) Limited	South Africa	Ordinary	100%
K.K. IPD Japan	Japan	Ordinary	100%
Investment Property Databank Pty Limited	Australia	Ordinary	100%
IPD Nederland B.V.	Netherlands	Ordinary	100%

16. INVESTMENTS (CONTINUED)

The direct and indirect subsidiary undertakings of the Company are registered at the following addresses:

Subsidiary	Registered address
Barra International, LLC	7 World Trade Center, 250 Greenwich Street, 49th Floor, 10007, New York, United States of America
IPD Group Limited	Ninth Floor, Ten Bishops Square, London, E1 6EG United Kingdom
MSCI G.K.	Tokyo Sankei Building 17F, 1-7-2 Otemachi, Chiyoda-ku, 1000004, Tokyo, Japan
BarraConsult Ltda.	Condominio Edificio Iguatemi, Offices Building, R. Iguatemi, 192 - conjunto 204, Itaim Bibi, 01451-010, São Paulo, Brazil
Investment Property Databank Limited	Ninth Floor, Ten Bishops Square, London, E1 6EG, United Kingdom
IPD France SAS	42 rue Washington, 75008, Paris, France
IPD Investment Property Databank GmbH	An Der Welle 5, 60322, Frankfurt, Germany
IPD Norden AB	Drottninggatan 33, 111 51, Stockholm, Sweden
Investment Property Databank South Africa (Pty) Limited	2nd Floor, Kildare House, The Oval 1 Oakdale Road, 7700, Cape Town, South Africa
K.K. IPD Japan	Tokyo Sankei Building 17F, 1-7-2 Otemachi, Chiyoda-ku, Tokyo 1000004, Japan
Investment Property Databank Pty Limited	Suite 1, Level 1, 56 Pitt Street, 2000, Sydney, Australia
IPD Nederland B.V.	Busplein 30, 1315 KV Almere, Netherlands

17. DEBTORS

	2017 $'000	2016 $'000
Trade debtors	84,757	246
Amounts owed by Group undertakings	9,027	42,034
Deferred tax (see note 18)	3,932	2,697
Other debtors	1,654	1,264
Prepayments and accrued income	40,642	1,286
	140,012	**47,527**

The increase in trade debtors is due to a higher volume of invoices being issued to customers for index and analytics products and services, following implementation of the operational changes as described in the Strategic Report. Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. Prepayments and accrued income at 31 December 2017 include $37,788k of accrued income in respect of unbilled services to customers (2016: $nil).

Debtors are stated after provisions for impairment of $nil (2016: $nil).

18. DEFERRED TAX

Deferred taxation has been fully recognised and is analysed as follows:

	2017 $'000	2016 $'000
Deferred staff compensation	3,494	2,233
Decelerated capital allowances	341	398
Deferred tax on retirement benefit	47	30
Other timing differences	49	36
	3,932	2,697

The movement in the deferred tax asset during the year is analysed as follows:

	$'000
At 1 January 2017	2,697
Amounts recognised in the Statement of Comprehensive Income:	
- Current year timing differences	1,197
- Prior year timing differences	(2)
- Foreign exchange differences	37
Amounts recognised in Other Comprehensive Income	3
At 31 December 2017	**3,932**

Under FRS 102 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax on fixed assets has been recognised using a rate of 17% (2016: 17%). For the other deferred tax balances, a rate of 19% has been used.

The net movement in deferred tax assets expected to occur in 2018 is an increase of $1,202k. This relates to deferred staff compensation and capital allowance claims.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 $'000	2016 $'000
Amounts owed to Group undertakings	43,273	33
Taxation and social security	20,763	9,544
Accruals and deferred income	200,120	27,765
	264,156	37,342

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. Amounts owed to Group undertakings have increased significantly as a result of the operational changes described in the Strategic Report. The amount of $43,273k owed at 31 December 2017 includes $39,092k payable to MSCI Barra (Suisse) Sàrl in respect of the distributor fee (2016: $nil) and $4,181k payable to other Group undertakings (2016: $33k).

Accruals and deferred income includes $165,320k of deferred income at 31 December 2017 (2016: $2,300k). The increase in deferred income is due to a higher volume of invoices for index and analytics products and services being issued to customers in advance of delivery as a result of the operational changes described in the Strategic Report.

20. COMMITMENTS AND CONTINGENCIES

The Company leases office facilities under operating lease agreements. At the balance sheet date, the future commitments of the Company in respect of these operating leases are as follows:

Land and buildings	2017 $'000	2016 $'000
Future minimum lease payments due:		
Within one year	2,806	2,238
Between one and five years	12,981	9,870
After five years	7,149	10,833
	22,936	22,941

On 23 March 2017 the Company signed a new lease agreement for its Dubai office premises for a three year term, commencing on 1 July 2017 and expiring at 30 June 2020.

The Company has other operating lease agreements for software licences and software support. At the balance sheet date, the future commitment of the Company in respect of these agreements is $nil.

21. SHARE-BASED PAYMENT TRANSACTIONS

MSCI Inc. Share-based Compensation Awards

On 28 January 2014, the Company, as a component of the 2013 annual bonus, awarded a portion of its employees with a grant in the form of restricted stock units ("2013 Bonus Award"). The restricted stock units vest over a three-year period, with one-third vesting on each anniversary of the grant in 2015, 2016 and 2017, respectively. A smaller portion of the 2013 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period and a time-vesting period. The total number of units granted was 72,924 and the aggregate value of the grants was approximately $3,079k. An expense of $9k was recognised in respect of this award in the year ended 31 December 2017.

On 27 January 2015, the Company, as a component of the 2014 annual bonus, awarded a portion of its employees with a grant in the form of restricted stock units ("2014 Bonus Award"). The restricted stock units vest over a three-year period, with one-third vesting on each anniversary of the grant in 2016, 2017 and 2018, respectively. A smaller portion of the 2014 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period and a time-vesting period ending at 31 December 2017. The restricted stock units awarded to those employees that also received a performance based award are subject to a different vesting schedule, with one-sixth vesting on 27 January 2016, two-thirds vesting on 27 January 2017 and one-sixth vesting on 27 January 2018. The total number of units granted was 74,433 and the aggregate value of the grants was approximately $4,060k. An expense of $464k was recognised in respect of this award in the year ended 31 December 2017.

An additional award subject to specific performance targets was made to one employee with one-third vesting on each of 31 December 2017, 31 December 2018 and 31 December 2019. The total number of units granted was 36,663 and the aggregate value of the grant was approximately $2,000k. An expense of $633k was recognised in respect of this award in the year ended 31 December 2017.

On 3 November 2015, MSCI Inc. awarded an employee of the Company with a grant in the form of restricted stock units upon that employee joining the Company. The restricted stock units vest over a three year period ending on 3 November 2018. The total number of units granted was 7,037 and the aggregate value of the award was approximately $500k. An expense of $159k was recognised in respect of this award in the year ended 31 December 2017.

21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

On 10 February 2016, MSCI Inc. awarded a portion of the Company's employees with a grant in the form of restricted stock units ("2015 Bonus Award") as a component of the 2015 annual bonus. The restricted stock units vest over a three-year period, with one-third vesting on each anniversary of the grant in 2017, 2018 and 2019, respectively. A larger portion of the 2015 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period and a time-vesting at 8 February 2019. The total number of units granted was 181,583 and the aggregate value of the grants was approximately $11,817k. An expense of $3,107k was recognised in respect of this award in the year ended 31 December 2017.

On 10 February 2016, MSCI Inc. also awarded an employee of the Company with a grant in the form of restricted stock units upon that employee joining the Company. The restricted stock units vest over a three year period, with one-third vesting on each anniversary of the grant in 2017, 2018 and 2019, respectively. The total number of units granted was 469 and the aggregate value of the award was approximately $31k. An expense of $10k was recognised in respect of this award in the year ended 31 December 2017.

On 19 October 2016, MSCI Inc. awarded an employee of the Company with a grant in the form of restricted stock units upon that employee joining the Company. The restricted stock units vest over a three year period, with one-third vesting on each anniversary of the grant in 2017, 2018 and 2019, respectively. The total number of units granted was 722 and the aggregate value of the award was approximately $60k. An expense of $32k was recognised in respect of this award in the year ended 31 December 2017.

On 3 November 2016, MSCI Inc. awarded an employee of the Company with a grant in the form of restricted stock units. The restricted stock units vest over a three year period ending on 3 November 2019. The total number of units granted was 6,343 and the aggregate value of the award was approximately $500k. An expense of $158k was recognised in respect of this award in the year ended 31 December 2017.

On 16 December 2016, MSCI Inc. awarded an employee of the Company with a grant in the form of restricted stock units. The restricted stock units vest over a three year period ending on 16 December 2019. The total number of units granted was 24,832 and the aggregate value of the award was approximately $2,000k. An expense of $609k was recognised in respect of this award in the year ended 31 December 2017.

On 07 February 2017, MSCI Inc. awarded a portion of the Company's employees with a grant in the form of restricted stock units ("2016 Bonus Award") as a component of the 2016 annual bonus. The restricted stock units vest over a three-year period, with one-third vesting on each anniversary of the grant in 2018, 2019 and 2020, respectively. A smaller portion of the 2016 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period and a time-vesting at 5 February 2020. The total number of units granted was 45,245 and the aggregate value of the grants was approximately $3,864k. An expense of $1,514k was recognised in respect of this award in the year ended 31 December 2017.

On 6 February 2018, MSCI Inc. awarded a portion of the Company's employees with a grant in the form of restricted stock units ("2017 Bonus Award") as a component of the 2017 annual bonus. The restricted stock units vest over a three-year period, with one-third vesting on each anniversary of the grant in 2019, 2020 and 2021, respectively. A smaller portion of the 2017 Bonus Award consisted of restricted stock units subject to achieving both specific performance targets over a measurement period and a time-vesting at 6 February 2021. The total number of units granted was 33,947 and the aggregate value of the grants was approximately $4,311k. Approximately $441k was recognised in the Statement of Comprehensive Income in the year ended 31 December 2017 in respect of awards granted to retirement eligible employees.

22. OTHER CREDITORS

	2017 $'000	2016 $'000
Deferred income	1,797	-
Provision for deferred rent	1,866	1,993
	3,663	**1,993**

Deferred income represents invoices for index and analytics products and services issued to customers in advance of delivery, where the expected date of delivery is more than twelve months after the balance sheet date. Deferred income has arisen as a result of implementation of the operational changes described in the Strategic Report.

Rent should be recognised as an expense over the lease term as it becomes payable. If rent instalments are not paid on a straight-line basis, rent expense still needs to be recognised on a straight-line basis. Differences between monthly rent expenses and actual rent payments are shown as deferred rent in the balance sheet.

Analysis of the deferred rent balance by lease maturity is shown in the below table:

Provision for deferred rent	2017 $'000	2016 $'000
Maturity of lease:		
After five years	1,866	1,993
	1,866	**1,993**

23. PENSIONS AND SIMILAR OBLIGATIONS

The Company has recognised a total pension expense during the year of $2,351k (2016: $2,062k).

The Company operates the following defined contribution plans (the "Plans") which require contributions to be made to funds held in trust, separate from the assets of the Company:

AG2R Plan, Article 83 (Paris Scheme)
MSCI Limited Group Personal Pension Plan
Allianz Complementary Plan (Milan Scheme)

The Company also contributes to the statutory retirement plan in France to which the Company is affiliated on the basis of defined contributions.

The total defined contribution pension charge for the year was $2,308k (2016: $2,003k) of which $251k was accrued at 31 December 2017 (2016: $154k).

The Company also accounts for the End of Service Gratuity benefit in Dubai and the IFC ("Indemnité de Fin de Carrière") benefit in France as defined benefit retirement liabilities, for which it has recognised an expense of $43k during the year (2016: $59k). The Company has recorded the pension liability in accordance with paragraph 28 of FRS102.

Actuarial valuations relating to the defined benefit liabilities have been carried out at 31 December 2017 by a qualified independent actuary.

The major assumptions used by the actuary for the valuation work performed were as follows:

23. PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

	2017	2016
Rate of increase in salaries	2.25%-5.00%	2.25%-5.00%
Discount rate	2.30%-2.90%	2.00%-3.00%

	2017	2016
	$'000	$'000
Present value of scheme liabilities	259	192
	259	192

The defined benefit liabilities are unfunded therefore there are no Plan assets. The present value of the schemes' liabilities is derived from cash flow projections over long periods and is thus inherently uncertain.

Analysis of the amount that is charged in staff costs to operating profit

	2017	2016
	$'000	$'000
Current service cost	37	51
Non-service cost	6	8
Total operating charge	**43**	**59**

Analysis of the amount that is recognised in Statement of Comprehensive Income

	2017	2016
	$'000	$'000
Actuarial loss on pension	(19)	-
Actuarial loss recognised in SOCI	**(19)**	-

Movement in benefit obligation during the year

	2017	2016
	$'000	$'000
Benefit obligation at beginning of the year	(192)	(167)
Movement in the year:		
Current service cost	(37)	(51)
Plan curtailments	-	4
Interest cost	(5)	(5)
Actuarial loss	(17)	(4)
Plan settlement	-	62
Exchange rate changes	(8)	(31)
Benefit obligation at end of the year	**(259)**	**(192)**

24. CALLED UP SHARE CAPITAL

	2017	2016
	$	$
Issued and fully paid:		
103 (2016: 102) ordinary shares of £1.00 each	127	126
	127	**126**

On 1 October 2017, the Company's immediate parent undertaking, MSCI UK Holdings Limited, made a capital contribution of $2,163k (£1,612k) to the Company in return for the issuance of 1 additional ordinary share at par value of £1. The difference between the capital contribution amount and the par value of the share has been recorded within share premium.

25. DIVIDENDS

	2017	2016
	$'000	$'000
Interim dividend paid:		
$91,955 (£85,000) per £1 share	11,676	-
	11,676	**-**

On 27 November 2017, the Directors approved the payment of an interim dividend of £85,000 per ordinary share, amounting to a total dividend of £8,755k, equivalent to $11,676k (2016: $nil).

26. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow Group undertakings under paragraph 33.1A of FRS 102.

27. PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is MSCI UK Holdings Limited, a Company incorporated in the United Kingdom and with a registered office at Ninth Floor, Ten Bishops Square, London, E1 6EG, United Kingdom.

The ultimate parent undertaking and controlling party of the Company is MSCI Inc., a Company incorporated in Delaware, the United States of America. MSCI Inc. is the parent undertaking of both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of MSCI Inc. can be obtained from 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, United States of America.