

Registered number: 3743494

MOODY'S ANALYTICS UK LIMITED
Annual Report
for the year ended 31 December 2015

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MOODY'S ANALYTICS UK LIMITED

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MOODY'S ANALYTICS UK LIMITED**COMPANY INFORMATION**

Directors: Robert King
Isabel Gomez Vidal
David De Cliffe Aldrich-Blake

Registered office: One Canada Square
Canary Wharf
London
E14 5FA

Independent auditor: KPMG LLP
15 Canada Square
London
E14 5GL

Principal banker: Bank of America N.A.
5 Canada Square
London
E14 5AQ

MOODY'S ANALYTICS UK LIMITED

STRATEGIC REPORT

for the year ended 31 December 2015

The ultimate parent company of Moody's Analytics UK Limited ("the Company") is Moody's Corporation ("Moody's"). Moody's is an essential component of the global capital markets, providing credit ratings, research, tools and analysis that contribute to transparent and integrated financial markets.

Principal activity

The principal activity of the Company is the provision of research, training and risk analysis services. The Company also provides support and delivery services to users of software products.

During the year, there was no change in the principal activity of the Company.

Strategy

Moody's reports two business segments, Moody's Investors Service ("MIS") and Moody's Analytics ("MA"), of which the Company is reported under MA. The long-term corporate strategy of MA is to be the world's most respected authority servicing financial risk-sensitive markets. The key areas of focus necessary to implement this strategy are to:

- build MA's position as a leading provider of risk management solutions to financial institutions; and
- invest in strategic growth opportunities.

MA provides a wide range of products and services to enable financial institutions to better manage risk. MA products and services, such as financial training and professional services on research and risk management best practices, provide opportunities for entry into emerging markets before debt capital markets fully develop. MA's integrated risk management software platform embeds Moody's solutions deep into the technology infrastructure of banks and insurance companies worldwide.

MA invests in initiatives to implement the business's strategy, including internally-led organic development and targeted acquisitions. Initiatives of this type include:

- investments that extend ownership and participation in joint ventures and strategic alliances;
- headcount growth to meet customer demand for new products and services;
- selective, bolt-on acquisitions that accelerate the ability to grow; and
- expansion in growth markets in developing countries.

Financial results

The Company made a profit for the year of £49,358,000 (2014: £39,985,000).

The financial results are prepared in accordance with the new UK Generally Accepted Accounting Practice that became mandatory from 1 January 2015. More details can be found in notes 2.1 and 3.1 in the notes to the financial statements.

Significant events during the year

On 7 May 2015, the Company acquired the assets and liabilities of Lewtan Technologies Limited, a subsidiary of the Company.

On 18 September 2015, the Company acquired one preference share in Credit Data Research Limited.

Key performance indicators ("KPIs")

The Company showed a strong financial performance throughout 2015. During the year, revenue increased by 15% to £217m (2014: £188m), mainly driven by strong organic growth within all the existing lines of business. This was offset by an increase in administrative costs by 14% to £163m (2014: £143m), mainly due to an increase in the average headcount from 389 to 409, costs of obtaining sales and royalties commensurate with the increase in revenue. As a result, the operating profit for the year increased by 19% to £54m (2014: £45m).

The net assets of the Company increased by 119% to £38m (2014: £17m) as at the reporting date. The increase was primarily due to the profit for the year offset against a dividend distribution.

In addition to a strong financial performance in 2015, MA received significant industry recognition enabling the business to further extend MA's presence as a leading provider of information products, technology solutions and professional services for financial institutions. The consistency and scale of growth in MA underscore the power of its business model and the strength of its position for future success.

Creditor payment policy

The Company's policy is to settle payment with suppliers in accordance with the agreed terms of each transaction and to ensure that suppliers are made aware of and will abide by the terms of payment.

MOODY'S ANALYTICS UK LIMITED

STRATEGIC REPORT for the year ended 31 December 2015

Subsequent events

On 12 January 2016, Lewtan Technologies Limited, a subsidiary of the Company, was liquidated.

On 24 May 2016, the Company paid an interim dividend of £38,000,000 to Moody's Holdings Limited, the Company's immediate holding company.

Future outlook

The directors remain confident that the Company will maintain a good level of performance in the future.

Going concern

The directors are satisfied at the time of submitting the financial statements that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

Principal risks and uncertainties relating to MA's business are as follows:

- financial reforms affecting the credit rating industry may negatively impact the nature and economics of Moody's business;
- Moody's operations and infrastructure may malfunction or fail;
- risks related to cyber security and protection of confidential information;
- increased pricing pressure from competitors and/or customers;
- exposure to reputational and credibility concerns;
- introduction of competing products or technologies by other companies;
- changes in tax rates or tax rules could affect future results;
- possible loss of key employees and related compensation cost pressures; and
- Moody's compliance and risk management programs might not be effective and may result in outcomes that could adversely affect Moody's reputation, financial condition and operating results.

Employee issues

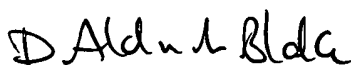
It is the policy of the Company to employ and train disabled people wherever their skills and qualifications allow and when suitable vacancies are available. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary. The Company strives to provide equal opportunities to its employees regardless of age, gender or race. The Company keeps employees informed of matters of importance to them and the Company by direct contact, consultation and regular staff meetings.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through newsletters, briefing groups and the distribution of Moody's Corporation's annual financial statements.

Health and safety

We aim to ensure a safe and healthy working environment for all our employees, external contractors and visitors. The Company aims to comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. We also liaise with staff regarding our policies and practices so that we can continue to maintain a healthy, safe and enjoyable environment.

By order of the board of directors on 27/05/16



David De Cliffe Aldrich-Blake
Director

MOODY'S ANALYTICS UK LIMITED**DIRECTORS' REPORT
for the year ended 31 December 2015**

The directors of Moody's Analytics UK Limited ("the Company") present their annual report, which includes the audited financial statements of the Company for the year ended 31 December 2015.

Dividends

On 17 November 2015, an interim dividend of £27,500,000 (2014: £73,500,000) was paid to Moody's Holdings Limited, the Company's immediate holding company.

Board of directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

Robert King
Isabel Gomez Vidal
David De Cliffe Aldrich-Blake (appointed: 15 September 2015)

None of the directors have an interest in the shares of the Company or its immediate holding company and fellow subsidiaries.

Indemnity

The Company's Articles of Association provide for the indemnification of the directors to the extent permitted by the Companies Act 2006.

Disclosure of information to auditor

The directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

Independent auditor

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

By order of the board of directors on 27/05/16



David De Cliffe Aldrich-Blake
Director

MOODY'S ANALYTICS UK LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS****for the year ended 31 December 2015**

The directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and the requirements of the Companies Act 2006; and
- prepare 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements were approved by the board of directors and are signed on their behalf by:



David De Cliffe Aldrich-Blake
Director

Date: 27/05/16



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S ANALYTICS UK LIMITED
for the year ended 31 December 2015**

We have audited the financial statements of Moody's Analytics UK Limited ("the Company") for the year ended 31 December 2015 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report

- we have not identified material misstatements in those reports, and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006

Matters on which we are required to report by exception

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

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

Steve Masters, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

2nd June 2016

MOODY'S ANALYTICS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	5	216,518	187,841
Administrative expenses		(162,765)	(142,720)
Operating profit	6	53,753	45,121
Write-down of investment	14	(207)	-
Interest receivable and similar income	7	384	318
Interest payable and similar charges	8	(1,297)	(1,275)
Profit on ordinary activities before taxation		52,633	44,164
Taxation on profit on ordinary activities	11	(3,275)	(4,179)
Profit and total comprehensive income for the year		49,358	39,985

The Company's profit and total comprehensive income for the year is derived from continuing operations.

The Company has no component of other comprehensive income.

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

MOODY'S ANALYTICS UK LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Non-current assets					
Intangible assets	12		40,552		40,680
Property, plant and equipment	13		167		316
Investments in subsidiaries	14		-		372
Deferred tax	15		1,279		1,338
			<u>41,998</u>		<u>42,706</u>
Current assets					
Trade and other receivables: falling due within one year	16	67,646		62,375	
Trade and other receivables: falling due after more than one year	17	1,442		-	
Short term investments	18	21,000		-	
Cash and cash equivalents		<u>71,048</u>		<u>65,459</u>	
			161,136		127,834
Trade and other payables falling due within one year	19		<u>(164,847)</u>		<u>(153,053)</u>
Total assets less current liabilities			38,287		17,487
Net assets			<u>38,287</u>		<u>17,487</u>
Equity					
Share capital	20		190		190
Retained earnings			35,668		15,565
Share-based payment reserve			2,429		1,732
Shareholders' funds			<u>38,287</u>		<u>17,487</u>

The financial statements on pages 7 to 20 were approved by the board of directors on 27/05/16 and were signed on its behalf by:

D. Aldrich Blake

David De Cliffe Aldrich-Blake
Director

Registered number: 3743494

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

MOODY'S ANALYTICS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Note	Share capital £'000	Retained earnings £'000	Share-based payment reserve £'000	Total equity £'000
Balance as at 1 January 2015		190	15,565	1,732	17,487
Profit and total comprehensive income for the year		-	49,358	-	49,358
Employee share option scheme:					-
- Exercised/settled		-	-	(1,462)	(1,462)
- Share-based payment charge		-	-	2,084	2,084
- Transferred from accruals		-	-	245	245
- Deferred tax movement		-	-	(170)	(170)
Transactions with owners in their capacity as owners					
Deemed dividend distribution		-	(1,755)	-	(1,755)
Dividend distribution	21	-	(27,500)	-	(27,500)
Balance as at 31 December 2015		190	35,668	2,429	38,287
Balance as at 1 January 2014		190	51,186	245	51,621
Effects of retrospective application	3.1	-	(14)	802	788
Balance as at 1 January 2014 restated		190	51,172	1,047	52,409
Profit and total comprehensive income for the year		-	39,985	-	39,985
Employee share option scheme:					-
- Exercised/settled		-	-	(1,411)	(1,411)
- Share-based payment charge		-	-	1,711	1,711
- Transferred from accruals		-	-	396	396
- Deferred tax movement		-	-	(11)	(11)
Transactions with owners in their capacity as owners					
Deemed dividend distribution		-	(2,092)	-	(2,092)
Dividend distribution		-	(73,500)	-	(73,500)
Balance as at 31 December 2014		190	15,565	1,732	17,487

Transferred from accruals relates to outstanding vested options.

The deemed dividend distribution is the excess of the amount paid to the ultimate parent company over the fair value of the equity instruments on grant.

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

MOODY'S ANALYTICS UK LIMITED

NOTES

for the year ended 31 December 2015

1 THE COMPANY AND ITS OPERATIONS

Moody's Analytics UK Limited ("the Company") was incorporated and is domiciled in the United Kingdom as a private limited company. The principal activity of the Company is the provision of research, training and risk analysis services. The Company also provides support and delivery services to users of software products. The Company is a wholly-owned subsidiary of Moody's Holdings Limited, a company incorporated in the United Kingdom.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 ("FRS 101") "Reduced Disclosure Framework" that was issued in September 2015.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been applied.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 3.1.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations that took place prior to 1 December 2015 have not been restated.

The Company's ultimate parent undertaking and controlling party, Moody's Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Moody's Corporation are prepared in accordance with US GAAP. Copies of the Moody's Corporation consolidated financial statements can be obtained from the Secretary, Moody's Corporation, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, USA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of cash flows and related notes;
- Comparative period reconciliations for property, plant and equipment and intangible assets;
- Disclosures in respect of related party transactions with wholly-owned subsidiaries within the Moody's group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional Statement of financial position for the beginning of the earliest comparative period following the retrospective application in accounting policy (see note 3.1); and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 "Share-based Payments" in respect of group-settled share-based payments;
- Certain disclosures required by IAS 36 "Impairment of Assets" in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 "Business Combinations" in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

2.2 Basis of measurement

These financial statements have been prepared on the going concern and historical cost basis except for share-based payments and derivatives which have been measured at fair value.

2.3 Functional and presentation currency

The Company's financial statements are presented in sterling (£), which is also the Company's functional currency.

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 Statement of financial position for the purposes of the transition to FRS 101.

3.1 Explanation of transition to FRS 101

The table below shows how the transition from the old basis of accounting (UK GAAP) to FRS 101 has affected the Company's financial position and financial performance. It shows the amounts adjusted from those previously reported in accordance with UK GAAP.

		UK GAAP	Effect of transition to FRS 101	FRS 101
	Notes	£'000	£'000	£'000
Statement of Financial Position				
As at 1 January 2014				
Assets extract				
Deferred tax asset	a	644	788	1,432
Equity				
Share capital		190	-	190
Retained earnings	b	51,186	(14)	51,172
Share-based payment reserve	c	245	802	1,047
		51,621	788	52,409
As at 31 December 2014				
Assets extract				
Intangible assets	a & d	36,087	4,593	40,680
Deferred tax asset	a	675	663	1,338
		36,762	5,256	42,018
Equity				
Share capital		190	-	190
Retained earnings	a, b & d	11,100	4,465	15,565
Share-based payment reserve	c	941	791	1,732
		12,231	5,256	17,487
Statement of Comprehensive Income				
For the year ended 31 December 2014				
Administrative expenses	d	(147,133)	4,413	(142,720)
Taxation on profit on ordinary activities	a & b	(4,245)	66	(4,179)
Profit for the year		35,506	4,479	39,985

Notes

a - Change in basis of recognition from a timing differences approach to a temporary differences approach.

b - Deferred tax expense on the fair value of the equity instruments.

c - Deferred tax asset movement in relation to the excess of the amount paid to the ultimate parent company over the fair value of the equity instruments on grant.

d - Reversal of goodwill amortisation.

3.2 Goodwill

Initial and subsequent recognition

Purchased goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for acquired interest over the net identifiable assets and liabilities assumed. Subsequent to initial recognition, goodwill is stated at cost, net of accumulated provision for permanent diminution in value, if any.

Impairment

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is recognised in the Statement of comprehensive income.

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Goodwill (continued)

Impairment (continued)

Goodwill is not amortised, which is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Derecognition

When part of an operation within a cash-generating unit ("CGU") is disposed of, the goodwill associated with that part of the operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3.3 Intangible assets

Initial and subsequent recognition

Intangible assets are initially recognised at cost on the date when the items are acquired or developed. An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and/or accumulated impairment losses, if any.

Amortisation

Amortisation is recognised in the Statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Non-compete covenants	3 years
- Trade names	1 year
- Databases	7 years

Derecognition

The carrying amount of intangible assets is derecognised on either the disposal of assets or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from the derecognition of intangible assets shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on derecognition is recognised in the Statement of comprehensive income.

3.4 Investment in subsidiaries

Initial and subsequent recognition

Investments in subsidiaries are initially recognised at cost (being fair value of the consideration given) on the date when the Company acquires control of the subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

Subsequent to initial recognition, the investments in subsidiaries continue to be recognised at cost less impairment, if any.

Derecognition

Investments in subsidiaries are derecognised on the date the parent loses control of the underlying entities. The difference between carrying amounts and proceeds received is recognised in the Statement of comprehensive income.

3.5 Foreign exchange transactions

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. All foreign exchange differences are recognised in the Statement of comprehensive income.

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Pension scheme arrangements

The Company operates a defined contribution pension scheme for its employees. The contributions to the scheme are charged in the Statement of comprehensive income in the year in which they are incurred.

3.7 Taxation

Current income tax

Current income tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates or laws that have been enacted or substantively enacted by the Statement of financial position date.

Deferred tax

Deferred tax is recognised using the Statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are only offset when there is both a legal right to offset and an intention to settle on a net basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.8 Share-based payments

The ultimate holding company operates equity-settled, share-based remuneration plans for the employees of the Company, including shares issued under share options and restricted share schemes.

Measurement

The fair value of the employees' services received in exchange for the equity instruments granted is recognised as a share-based payment charge over the vesting period in the Statement of comprehensive income and the corresponding adjustment is credited in the share-based payment reserve in equity.

At each reporting date, the Company assesses the equity instruments issued:

- after the grant date and before the vesting date, the equity instruments are measured at the grant-date fair value. If any equity instruments fail to meet the vesting conditions, or there is a revision in the estimates of vesting conditions, any difference is adjusted in the Statement of comprehensive income and the share-based payment reserve;
- after the grant date and before the vesting date, if any employee is transferred to another group entity, the share-based payment charge for the period is time apportioned and allocated between the group entities;
- after the vesting date and before the settlement, if the fair value of share options at the reporting date is greater than the grant-date fair value, an accrual for the obligation is recognised in liabilities and a corresponding adjustment is recognised in the share-based payment reserve;
- on exercise of equity instruments, if the settlement-date fair value is greater than the grant-date fair value, the grant-date fair value amount is recognised in the share-based payment reserve and any excess is recognised in retained earnings as a deemed dividend distribution;
- on exercise of equity instruments, if the settlement-date fair value is less than the grant-date fair value, the share-based payment reserve is partially derecognised to the extent of the settlement amount.

3.9 Revenue

The products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognised on a straight-line basis over the related subscription period. Revenue from the sale of perpetual licenses of credit processing software is generally recognised at the time the product master or first copy is delivered or transferred to and accepted by the customer. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognised until acceptance occurs. Software maintenance revenue is recognised on a straight-line basis over the annual maintenance period. Revenue from services rendered within the professional services line of business is generally recognised as the services are performed.

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue (continued)

Products and services are sold either stand-alone or together in various combinations. In instances where a multiple-element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement. Revenue is recognised for each element based upon the conditions for revenue recognition noted above. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using fair value. In the instances where the Company is not able to determine fair value for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its fair value and the residual revenue to the delivered elements. If the Company is unable to determine fair value for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when fair value has been determined for the undelivered elements. In cases where software implementation services are considered essential to the functionality of the underlying software, and fair value exists for software maintenance, once the delivery criteria has been met on the standard software, license and service revenue is recognised on a percentage-of-completion basis as implementation services are performed, while software maintenance is recognised over the coverage period. If fair value does not exist for software maintenance, once the delivery criteria has been met on the standard software, service revenue is recognised on a zero profit margin basis until essential services are complete, at which point total arrangement revenue is then spread on a straight-line basis over the remaining software maintenance coverage period.

Revenue, which excludes Value-added tax and trade discounts, represents the invoiced value of goods and services supplied.

3.10 Derivative financial instruments

From time to time, the Company uses derivative financial instruments ("derivatives") to manage its exposure to changes in foreign currency exchange rates.

Derivatives are classified as financial assets or financial liabilities, and as such are initially and subsequently measured at fair value, in the Statement of comprehensive income, determined where possible by reference to quoted market prices for similar instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

When the Company first becomes party to a contract, it assesses whether there are any embedded derivatives which are required to be separated from the host contracts and fair valued in the Statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise have been acquired.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability recorded in future periods.

The Company reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

4.1 Accounts receivable allowance

The Company records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as impairment loss and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are charged against the allowance. The Company evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current aging status of customer accounts. The Company also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, the Company adjusts its allowance as considered appropriate in the circumstances. This process involves a high degree of judgment and estimation and could involve significant amounts. Accordingly, the Company's statement of comprehensive income can be affected by adjustments to the allowance. Management believes that the allowance for uncollectible accounts receivable is adequate to cover anticipated adjustments and write-offs under current conditions. However, significant changes in any of the above factors, or actual write-offs or adjustments that differ from the estimated amounts could impact the Company's results in the Statement of comprehensive income.

MOODY'S ANALYTICS UK LIMITED
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for the year ended 31 December 2015
4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)
4.2 Taxation

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both.

4.3 Impairment

The Company is required to assess goodwill acquired in a business combination for impairment annually. The recoverable amount is determined using the fair value less costs of disposal basis. The fair value less costs of disposal is based on discounted cash flows projection. The cash flow projections calculation is based on detailed budgets and forecast calculations, which are prepared separately for each of the Company's cash generating units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that unit and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

4.4 Share-based payments - Fair value

The fair value of share-based payments is measured on the grant date. The fair value of restricted shares is measured using the quoted price of Moody's Corporation, while share options are estimated using the Black-Scholes option pricing model that uses assumptions and estimates that the Company believes are reasonable. Some of the assumptions and estimates, such as share price volatility and expected option holding period, are based in part on the ultimate holding company's experience since it became a public company. The use of different assumptions and estimates in the Black-Scholes option pricing model could produce materially different estimated fair values and related expense.

The fair value measured at grant date is not revised before the vesting date, other than for market vesting conditions. At each reporting date, the Company revises its estimates of the number of equity instruments that are expected to vest so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

More details can be found in the consolidated financial statements of Moody's Corporation. Copies can be obtained from the Secretary, Moody's Corporation, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, USA.

5 REVENUE

	2015 £'000	2014 £'000
Research, data and analytics	130,925	117,210
Software	76,899	64,226
Commissions	3,958	1,889
Other professional	4,736	4,516
	216,518	187,841

6 OPERATING PROFIT

	2015 £'000	2014 £'000
Operating profit is stated after (crediting)/charging:		
Amortisation of intangible assets	128	128
Depreciation of property, plant and equipment	149	241
Operating lease expense	3,240	3,102
Foreign exchange (gains)/losses	(2,450)	816
Share-based payment charge	2,084	1,711

MOODY'S ANALYTICS UK LIMITED**NOTES****for the year ended 31 December 2015****6 OPERATING PROFIT (continued)**

	2015 £'000	2014 £'000
Auditor's remuneration		
Audit of these financial statements	21	21

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Bank interest received	384	318

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Payable to group undertakings	1,297	1,275

9 DIRECTORS' EMOLUMENTS

	2015 £'000	2014 £'000
Aggregate emoluments and benefits	1,330	976

The directors of the Company exercised options over shares in the ultimate parent company which is registered outside the United Kingdom. During the year, 2 (2014: 2) of the directors exercised share options which gave rise to an aggregate gain to the directors of £407,087 (2014: £323,358).

The directors are all members of the Company's defined contribution pension scheme. The charge to the Company was £44,870 (2014: £23,877).

Highest paid director

	2015 £'000	2014 £'000
Aggregate emoluments and benefits	776	586

10 EMPLOYEE INFORMATION

The average number of persons employed by the Company (including executive directors) during the year was:

	2015 No.	2014 No.
Administration	35	31
Other professional	374	358
	409	389

Employment costs were as follows:

	2015 £'000	2014 £'000
Salaries and benefits	37,004	32,091
Social security costs	5,514	4,692
Pension costs (note 22)	3,803	3,600
Share-based payment charge	2,084	1,711
	48,405	42,094

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

11 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
UK Corporation tax at 20.25% (2014: 21.5%)		
UK corporation tax on profits of the period	2,598	4,246
Adjustments in respect of prior periods	788	29
Deferred tax at 19% (2014: 20%)		
Originating and reversal of temporary differences	(112)	(67)
Adjustments in respect of prior periods	10	37
Effect of changes in tax rate on opening liability	(9)	-
Restatement adjustment	-	(66)
Taxation	3,275	4,179

Reconciliation of effective tax rate:

The taxation assessed on the profit on ordinary activities for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	52,633	44,164
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	10,658	9,495
Effect of:		
Expenses not deductible for tax purposes	9	1,015
Non taxable income	(355)	(450)
Depreciation in excess of capital allowances	12	21
Other temporary differences	172	71
Group relief claimed	(7,898)	(4,957)
Adjustments in respect of prior periods	788	29
Deferred tax	(111)	(96)
Restatement adjustment	-	(949)
Total tax expense	3,275	4,179

12 INTANGIBLE ASSETS

	Goodwill £'000	Non-compete covenants £'000	Trade names £'000	Databases £'000	Total £'000
Cost					
At 1 January 2015	39,913	705	207	4,132	44,957
Balance at 31 December 2015	39,913	705	207	4,132	44,957
Amortisation and impairment					
At 1 January 2015	-	705	207	3,365	4,277
Amortisation for the year	-	-	-	128	128
Balance at 31 December 2015	-	705	207	3,493	4,405
Net book value					
Balance at 31 December 2015	39,913	-	-	639	40,552
Balance at 31 December 2014	39,913	-	-	767	40,680

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Office furniture £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2015 and 31 December 2015	239	570	47	344	1,200
Depreciation					
At 1 January 2015	85	440	33	326	884
Charge for the year	47	90	5	7	149
At 31 December 2015	132	530	38	333	1,033
Net book value					
At 31 December 2015	107	40	9	11	167
At 31 December 2014	154	130	14	18	316

Depreciation is recognised in the Statement of comprehensive income on a straight-line basis over the estimated useful lives of tangible fixed assets or its major components, if any.

The estimated useful lives for the current and comparative years are as follows:

- Office equipment 5 years
- Fixtures and fittings 10 years
- Computer equipment 3 years

14 INVESTMENTS IN SUBSIDIARIES

	2015 £'000
Cost	
Balance at 1 January 2015	372
Addition	-
Disposal	(165)
Balance at 31 December 2015	207
Provisions for impairment	
Balance at 1 January 2015	-
Write-down of investment	207
Balance at 31 December 2015	207
Net book value at 31 December	
Balance at 31 December 2015	-
Balance at 31 December 2014	372

Details of the Company's investments are as follows:

Company	Country of incorporation	Principal activity	Shareholding	Number of shares	Nominal value
Lewtan Technologies Limited	UK	Research and analytical services	100%	1	£1
Credit Data Research Limited (Preference shares)	UK	Research and analytical services	100%	1	£1

On 7 May 2015, the Company acquired the assets and liabilities of Lewtan Technologies Limited at net book value. As part of the transfer the Company received a dividend of £165,000, which has been recognised as a disposal. Consequently, the Company has impaired the remainder of its investment.

On 18 September 2015, the Company acquired one preference share in Credit Data Research Limited for a consideration of £1.

MOODY'S ANALYTICS UK LIMITED

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for the year ended 31 December 2015

15 DEFERRED TAX

	2015 £'000	2014 £'000
Deferred tax	<u>1,279</u>	<u>1,338</u>

Deferred tax is calculated at 19% (2014: 20%) on temporary differences.

The balance on the provision for deferred taxation is as follows:

	2015		2014	
	Amount provided £'000	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000
Deferred capital allowances	35	-	47	-
Tax on stock options	1,284	-	1,383	-
Other temporary differences	(40)	-	(92)	-
	<u>1,279</u>	<u>-</u>	<u>1,338</u>	<u>-</u>

16 TRADE AND OTHER RECEIVABLES: FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade receivables	59,011	57,048
Amounts due from group undertakings	916	971
Other receivables	301	455
Corporation tax	3,211	1,063
Prepayments and accrued income	4,207	2,838
	<u>67,646</u>	<u>62,375</u>

Trade receivables are net of allowance for bad and doubtful debts amounting to £613,000 (2014: £648,000).

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

Other receivables include derivatives amounting to £12,000 (2014: £nil).

17 TRADE AND OTHER RECEIVABLES: FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Prepayments and accrued income	<u>1,442</u>	<u>-</u>

18 SHORT TERM INVESTMENTS

	2015 £'000	2014 £'000
Deposits with banks	<u>21,000</u>	<u>-</u>

Deposits with banks are unsecured deposits with a weighted average fixed interest rate of 0.65% and a weighted average maturity period of 4.25 months.

MOODY'S ANALYTICS UK LIMITED**NOTES**

for the year ended 31 December 2015

19 TRADE AND OTHER PAYABLES: FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade payables	898	452
Amounts due to group undertakings	45,196	43,709
Other payables (including taxation and social security)	5,982	3,565
Accruals and deferred income	112,771	105,327
	164,847	153,053

Amounts due to group undertakings includes an unsecured loan which has a fixed interest rate of 10.4% per annum and is repayable on demand. All other amounts are unsecured, interest free and repayable on demand.

Other payables include derivatives amounting to £160,000 (2014: £nil).

20 SHARE CAPITAL

	2015 £'000	2014 £'000
Allotted, called up and fully paid 189,553 ordinary shares of £1 each	190	190

21 DIVIDENDS

	2015 £'000	2014 £'000
Dividends paid	27,500	73,500

On 17 November 2015, an interim dividend of £27,500,000 was paid to Moody's Holdings Limited.

22 PENSION PLAN

A defined contribution pension scheme covers the majority of the Company's employees. Contributions to the scheme are independently administered by insurance companies.

The total pension cost for the Company was £3,803,000 (2014: £3,600,000).

23 SUBSEQUENT EVENTS

On 12 January 2016, Lewtan Technologies Limited, a subsidiary of the Company, was liquidated.

On 24 May 2016, the Company paid an interim dividend of £38,000,000 to Moody's Holdings Limited, the Company's immediate holding company.

24 ULTIMATE CONTROLLING PARTY

The Company's ultimate parent undertaking and controlling party is Moody's Corporation, incorporated in the United States of America. Moody's Corporation is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Moody's Corporation consolidated financial statements can be obtained from the Secretary, Moody's Corporation, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, USA.