

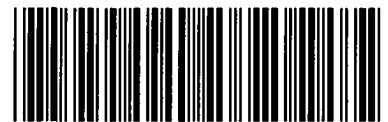
Registered number: 1950192

MOODY'S INVESTORS SERVICE LIMITED

Annual Report

for the year ended 31 December 2018

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MOODY'S INVESTORS SERVICE LIMITED

TABLE OF CONTENTS

	Page
Company information	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	6
Independent auditor's report to the members of Moody's Investors Service Limited	7
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes	12

MOODY'S INVESTORS SERVICE LIMITED**COMPANY INFORMATION**

Directors: Neil Acres
Robert Fauber
Rudolf Ferscha
Monica Merli
Roderick Marie Stella Maris Munsters
Jan Pethick
Michael Lawrence West

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 INVESTORS SERVICE LIMITED

STRATEGIC REPORT for the year ended 31 December 2018

The ultimate parent of Moody's Investors Service 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 credit rating, research and risk analysis services. During the year, there was no change in the principal activity of the Company.

The Company is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended from time to time. The Company has implemented appropriate internal controls and systems which are updated to take account of relevant regulatory requirements.

Strategy

Moody's reports two business segments, Moody's Investors Service ("MIS") and Moody's Analytics ("MA"), of which the Company is reported under MIS. The long-term corporate strategy of MIS 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:

- Defend and enhance the core ratings and research business; and
- Invest in strategic growth opportunities.

MIS will make investments to defend and enhance its core businesses in an attempt to position the business to fully capture market opportunities resulting from global debt capital market expansion and increased business investment spending. MIS will also make strategic investments to achieve scale in attractive financial information markets, move into attractive product and service adjacencies where the business can leverage its brand, extend its leadership of opinion and expand its geographic presence in high growth emerging markets.

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

- Enhancements to ratings quality and product extensions;
- Investments that extend ownership and participation in joint ventures and strategic alliances;
- New products, services, content and technology capabilities to meet customer demands;
- Selective, bolt-on acquisitions that accelerate the ability to scale and grow; and
- Expansion in emerging markets.

Financial results

The Company made a profit for the year of £69m (2017: £96m).

Key performance indicators ("KPIs")

During the year revenue decreased by 8% to £276m (2017: £300m), mainly driven by a decrease in debt issuance and transactional revenue. Operating expenses decreased by 7% to £176m (2017: £189m), mainly due to a decrease in bonuses and royalties commensurate to revenue. As a result, operating profit decreased by 10% to £100m (2017: £111m).

The net assets of the Company decreased by 23% to £98m (2017: £127m) as at the reporting date. The decrease was primarily due to higher dividend distributions than the profit for the year.

MIS continues to pursue strategic growth opportunities, benefitting from the tailwinds of long-term global economic growth and continued disintermediation of credit in both developed and developing economies. MIS's work in the increasingly important environmental, social and governance ("ESG") sector also continued to grow.

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.

Significant events during the year

On 1 August 2018, the Company transferred the Canary Wharf lease to Moody's Shared Services UK Limited, a fellow subsidiary of the Moody's group.

On 1 November 2018, the Company transferred the trade, assets and liabilities of its Sweden branch to Moody's Investors Service (Nordics) AB, a fellow subsidiary of the Moody's group.

MOODY'S INVESTORS SERVICE LIMITED

STRATEGIC REPORT for the year ended 31 December 2018

Subsequent events

On 8 March 2019, the Company (excluding branches) entered into a cash management pooling system and as a result all cash was transferred into a centralised cash pool managed by Moody's Group UK Limited, a fellow subsidiary of the Moody's group.

On 21 March 2019, the Company's Poland branch entered into a cash management pooling system and as a result all cash was transferred into a centralised cash pool managed by Moody's Group UK Limited.

On 29 March 2019, the Company purchased the trade, assets and liabilities of the UK operations of MIS EMEA Limited for a total consideration of £8.5m.

On 15 May 2019, the directors recommended the payment of an interim dividend of £39m.

Future outlook

On 23 June 2016, the United Kingdom (UK) had a referendum that resulted in a vote to leave the European Union (EU) (Brexit vote). The Prime Minister of UK officially notified to leave the EU on 29 March 2017. There was a two-year period to negotiate the terms of the withdrawal; recently the EU has given the UK government an extension, subject to some terms and conditions, to finalise terms of withdrawal. Until the UK government and the EU provide information about the terms of the withdrawal, the Company has made appropriate plans to continue to operate its businesses. Consequently, they do not expect a significant effect on the Company in the short to medium term. The longer term impact is unclear and would depend on UK's exit strategy.

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 approving 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 Moody's business are as follows:

- Financial reforms affecting the credit rating industry may negatively impact the nature and economics of Moody's business;
- Exposure to litigation, government regulatory proceedings, investigations and inquiries related to Moody's rating opinions and other business practices;
- Moody's operations and infrastructure may malfunction or fail;
- Risks related to cyber security and protection of confidential information;
- Changes in the volume of debt securities issued in domestic and/or global capital markets, asset levels and flows into investment levels and changes in interest rates and other volatility in the financial markets may negatively impact the nature and economics of Moody's business;
- 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;
- 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;
- Dependency on the use of third-party software, data, hosted solutions, data centres, the cloud and network infrastructure, and any reduction in third-party product quality or service offerings could have a material adverse effect on the Company's business, financial condition or results of operations, and
- Future arrangements between the UK and the EU following the Brexit vote.

Employee issues

The Company recruits, hires, and employs individuals based on job-related qualifications and abilities. Moody's has a longstanding policy of providing a work environment that is free from unlawful discrimination on any grounds, including physical or mental disability. If existing employees become disabled, every effort is made to find them appropriate work, and training is provided if necessary.

Discussions with employees continues at all levels with the aim of ensuring their views are considered when decisions are made that are likely to affect their interests. Each year, Moody's administers the Business Effectiveness Survey to better understand employees views in a number of key areas, including management, resources and development. Feedback received forms the basis for action across the company.

Employees are made aware of the financials and economics of the Company through presentations, briefings and the distribution of Moody's annual financial statements.

MOODY'S INVESTORS SERVICE LIMITED**STRATEGIC REPORT
for the year ended 31 December 2018****Health and safety**

The Company aims to ensure a safe and healthy working environment for all 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.

By order of the board of directors on 15 May 2019



Monica Merli
Director

MOODY'S INVESTORS SERVICE LIMITED

DIRECTORS' REPORT for the year ended 31 December 2018

The board of directors of Moody's Investors Service Limited ("the Company") present their annual report, which includes the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

On 18 June 2018, an interim dividend of £95m (2017: £55m) was paid to Moody's Shared Services UK Limited, the Company's immediate parent.

On 15 May 2019, the directors recommended the payment of an interim dividend of £39m.

Board of directors

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

Neil Acres	(Appointed: 1 April 2019)
Alain Dromer	(Resigned: 12 May 2018)
Robert Fauber	
Rudolf Ferscha	
Michel Madelain	(Resigned: 31 December 2018)
Monica Merli	
Roderick Marie Stella Maris Munsters	(Appointed: 13 May 2018)
Jan Pethick	
Nigel Phipps	(Resigned: 31 March 2019)
Michael Lawrence West	(Appointed: 13 May 2018)
Blair Worrall	(Resigned: 12 May 2018)

None of the directors have an interest in the shares of the Company or its immediate parent 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.

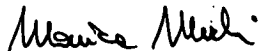
Disclosure of information to the auditor

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 them 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 15 May 2019



Monica Merli
Director

MOODY'S INVESTORS SERVICE LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
for the year ended 31 December 2018**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulation.

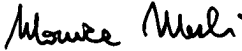
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including Financial Reporting Standard 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have 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:


Monica Merli
Director

Date: 15 May 2019



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S INVESTORS SERVICE LIMITED
for the year ended 31 December 2018**

Opinion

We have audited the financial statements of Moody's Investors Service Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S INVESTORS SERVICE LIMITED
for the year ended 31 December 2018

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

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

23 May 2019

MOODY'S INVESTORS SERVICE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
Revenue	5	268,110	8,236	276,346	298,044	1,947	299,991
Operating expenses		(172,772)	(3,274)	(176,046)	(187,178)	(1,916)	(189,094)
Operating profit	7	95,338	4,962	100,300	110,866	31	110,897
Interest receivable and similar income	8	245	-	245	192	-	192
Interest payable and similar expenses	9	(1,854)	(9)	(1,863)	(179)	(2)	(181)
Profit before taxation		93,729	4,953	98,682	110,879	29	110,908
Taxation on profit	12	(27,452)	(1,101)	(28,553)	(15,173)	(6)	(15,179)
Profit for the year		66,277	3,852	70,129	95,706	23	95,729
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations		(976)	(62)	(1,038)	(8)	-	(8)
Other comprehensive loss for the year, after tax		(976)	(62)	(1,038)	(8)	-	(8)
Total comprehensive income for the year		65,301	3,790	69,091	95,698	23	95,721

The Company's results are derived from continuing and discontinued operations. More details on discontinued operations can be found in note 6.


The accompanying notes on pages 12 to 26 form an integral part of these financial statements.

MOODY'S INVESTORS SERVICE LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non-current assets					
Intangible assets	13	4,017		4,850	
Property, plant and equipment	14	865		14,469	
Investments in associates	15	1,180		1,180	
Deferred tax	16	5,075		6,603	
Trade and other receivables	17	40,416		494	
			51,553		27,596
Current assets					
Trade and other receivables	17	38,053		99,302	
Contract assets	18	35,480		43,866	
Cash and cash equivalents		43,198		56,505	
			116,731		199,673
Non-current liabilities					
Trade and other payables	19	-		(12,427)	
Deferred revenue	20	(436)		(594)	
Provisions	21	(243)		(3,332)	
			(679)		(16,353)
Current liabilities					
Trade and other payables	19	(49,800)		(62,919)	
Deferred revenue	20	(16,945)		(20,655)	
Provisions	21	(2,787)		-	
			(69,532)		(83,574)
Net assets			<u>98,073</u>		<u>127,342</u>
Equity					
Share capital	23		-		-
Translation of foreign operations			(5,285)		(4,247)
Retained earnings			88,957		124,051
Share-based payment reserve			14,401		7,538
Shareholders' funds			<u>98,073</u>		<u>127,342</u>

The financial statements on pages 9 to 26 were approved by the board of directors on 15 May 2019 and were signed on its behalf by:



Monica Merli
Director

Registered number: 1950192

The accompanying notes on pages 12 to 26 form an integral part of these financial statements.

MOODY'S INVESTORS SERVICE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

Note	Share capital £'000	Translation of foreign operations £'000	Retained earnings £'000	Share-based payment reserve £'000	Total equity £'000
	-	(4,247)	124,051	7,538	127,342
Balance as at 1 January 2018					
Transition adjustments	2.4	-	2,583	-	2,583
Balance as at 1 January 2018	-	(4,247)	126,634	7,538	129,925
Profit for the year	-	-	70,129	-	70,129
Other comprehensive loss for the year	-	(1,038)	-	-	(1,038)
Employee share option scheme:	-	-	-	-	-
• Exercised/settled	-	-	-	(9,556)	(9,556)
• Share-based payment charge	-	-	-	10,458	10,458
• Transferred from accruals	-	-	-	7,912	7,912
• Deferred tax movement	-	-	-	(1,951)	(1,951)
Transactions with owners in their capacity as owners					
Deemed dividend distribution	24	-	(12,806)	-	(12,806)
Dividend distribution		-	(95,000)	-	(95,000)
Balance as at 31 December 2018	-	(5,285)	88,957	14,401	98,073
Balance as at 1 January 2017	-	(4,239)	93,110	4,077	92,948
Profit for the year	-	-	95,729	-	95,729
Other comprehensive loss for the year	-	(8)	-	-	(8)
Employee share option scheme:	-	-	-	-	-
• Exercised/settled	-	-	-	(7,615)	(7,615)
• Share-based payment charge	-	-	-	9,794	9,794
• Transferred (to) accruals	-	-	-	(177)	(177)
• Deferred tax movement	-	-	-	1,459	1,459
Transactions with owners in their capacity as owners					
Deemed dividend distribution	24	-	(9,788)	-	(9,788)
Dividend distribution		-	(55,000)	-	(55,000)
Balance as at 31 December 2017	-	(4,247)	124,051	7,538	127,342

Transferred (to)/from accruals relates to outstanding vested options.

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

The accompanying notes on pages 12 to 26 form an integral part of these financial statements.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

1 THE COMPANY AND ITS OPERATIONS

Moody's Investors Service 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 credit rating, research and risk analysis services. The Company is a wholly-owned subsidiary of Moody's Shared Services UK 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".

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 the Companies Act 2006, and has set out below where FRS 101 disclosure exemptions have been applied.

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 tangible fixed assets 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; and
- Disclosures in respect of the compensation of key management personnel.

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. 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;
- Disclosures required by IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in respect of the cash flows of discontinued operations;
- 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".
- Certain disclosures required by IFRS 15 "Revenue from Contracts with Customers" in respect of revenue arising from continuing activities with customers.

Further, the Company has used the following exemptions available under the Companies Act 2006:

These are separate financial statements and contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 401 of the Companies Act 2006 as the Company and its investments are included in the consolidated financial statements of Moody's Corporation.

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.

2.4 New accounting standards applied during the current year

IFRS 15, "Revenue from contracts with customers"

The Company applied the new revenue accounting standard on 1 January 2018 retrospectively with the cumulative effect adjusted in the opening retained earnings. Accordingly, the information presented for 2017 has not been restated – i.e. they are presented, as previously reported.

MOODY'S INVESTORS SERVICE LIMITED
NOTES
for the year ended 31 December 2018
2 BASIS OF PREPARATION (continued)
2.4 New accounting standards applied during the current year (continued)

The most significant impact to the Company's financial statements from applying the new revenue accounting standard primarily related to:

- the capitalisation of work-in-process costs for in-progress ratings at the end of each reporting period which under previous accounting guidance were expensed as incurred; and
- the timing of when revenue for certain ratings products is recognised.

The tables below provide detail relating to the adjustment on various line items within the Company's statement of financial position and financial performance on application of the new revenue accounting standard:

Transition adjustment	Note	Impact on retained earnings 1 January 2018 (£'000)	Corresponding line item
Recognition of deferred revenue / increase in unbilled receivables	1	245	Deferred revenue, Non-current portion of deferred revenue, Trade receivables and Contract assets
Capitalisation of work-in-process for in-progress ratings	2	1,615	Other current assets
Net impact of all other adjustments	3	730	Various
Net increase/decrease in the tax liability on the above		(7)	Deferred tax liabilities, net
Total post tax adjustment		2,583	

Statement of financial position as at 31 December 2018	Note	Amounts under previous guidance (£'000)	Effect of transition (£'000)	Amounts as reported (£'000)
Assets extracts				
Trade and other receivables	1 & 2	36,255	1,798	38,053
Contract assets	2	34,856	624	35,480
Equity and liabilities				
Deferred revenue	1	(17,015)	(366)	(17,381)

Statement of comprehensive income for the year ended 31 December 2018	Note	Amounts under previous guidance (£'000)	Effect of transition (£'000)	Amounts as reported (£'000)
Revenue	1	275,521	825	276,346
Operating expenses	2	(176,358)	312	(176,046)

Note

- 1 This adjustment represents deferred revenue as of 31 December 2017 as well as amounts then unbilled that would have been recognised as revenue in 2017 or earlier if the new revenue standard was then in effect. These amounts will not be recognised as revenue in future statements of operations. Conversely, revenue will be recorded to the Company's Statement of comprehensive income in 2018 under the new revenue accounting standard, which otherwise would have been recognised in periods subsequent to 2018 if accounted for under legacy IFRSs e.g. IAS 18.
- 2 This adjustment represents work in progress that the Company is now capitalising. Prior to this, the Company expensed such work.
- 3 The Company has now recognised contract assets for some contracts where it previously did not recognise until an invoice was issued.

IFRS 9, "Financial instruments"

The Company has applied IFRS 9, "Financial Instruments" in the current financial year with the initial application date of 1 January 2018. IFRS 9 sets out the new requirements for recognising and measuring financial assets and financial liabilities and replaces existing IAS 39, "Financial Instruments".

The Company has taken the exemption not to apply IFRS 9 retrospectively, and as such any comparative figures from 1 January 2017 to 31 December 2017 have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

There are no changes in measurement for the Company's financial assets and financial liabilities on the application of IFRS 9. The Company continued measuring at amortised cost or fair value all the financial assets or financial liabilities previously held at amortised cost or fair value under IAS 39.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

2 BASIS OF PREPARATION (continued)

2.4 New accounting standards applied during the current year (continued)

IFRS 9, "Financial instruments" (continued)

IFRS 9 requires the use of an expected loss model (ECL) in assessing the recoverability of trade receivables and intercompany loans receivables. The Company has a history of collecting its intercompany loans receivables when due. Therefore, credit risk is very minimal and there is no requirement to create ECL on its loan receivables. Also, due to the quality of the Company's trade receivables and its low history of bad debts the application of IFRS 9 has not resulted in a change to the allowance for impairment in respect of trade receivables.

On 1 January 2018, the financial assets of the Company were reclassified from their original category in IAS 39:

- financial assets through profit or loss for derivatives and investments in equity instruments that are not associates or subsidiaries to a category called fair value through profit or loss under IFRS 9, and
- loans and receivables for other financial assets to the new category called amortised cost under IFRS 9.

There are no changes in measurement for the Company's financial assets and financial liabilities on the application of IFRS 9. The Company continued measuring at amortised cost or fair value all the financial assets or financial liabilities previously held at amortised cost or fair value under IAS 39. Consequently, the carrying amounts for financial instruments under IAS 39 and IFRS 9 is the same.

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.

3.1 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 life for the current year is as follows:

- Customer contracts 10 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 its 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.

3.2 Investments in associates

Initial and subsequent recognition

Investments are initially recognised at cost (being fair value of the consideration given e.g. cash or shares) on the date when the Company acquires significant influence in the investment. Significant influence exists when the Company has an equity interest or power to participate in the financial and operating policies of the enterprise so as to obtain benefits from its activities. In assessing significant influence, potential voting rights that currently are exercisable are taken into account.

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

Derecognition

If part or all of the holdings in investments are disposed then the difference between the carrying amount and proceeds received are recognised in the Statement of comprehensive income.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 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.

Assets and liabilities of the Company's foreign branches are translated into sterling at the exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and classified in the Statement of changes in equity as Translation of foreign operations.

3.4 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.

3.5 Financial Instruments

The Company recognises the financial instruments when it becomes a party to the contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets, except as mentioned otherwise in the accounting policy, are measured initially at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company classifies financial assets as subsequently measured at amortised cost or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

- Financial assets at amortised cost:
Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Examples of such financial assets include intercompany loans.
- Financial assets at fair value through profit or loss (FVPL):
Financial assets which are not classified in amortised cost and other comprehensive income category are subsequently at fair valued through profit or loss. Examples of such financial asset are derivatives.

Financial liabilities

All financial liabilities are measured initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are classified either at amortised cost or fair value through profit and loss. Financial liabilities at amortised cost include intercompany loans, borrowings, trade and other payables. Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

All financial instruments are derecognised when:

- rights and obligations to the cash flows have expired or settled; and
- control or risks and rewards (where applicable), have been transferred.

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

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 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.

3.7 Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

3.8 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 reporting 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.

3.9 Impairment

Financial assets

The Company uses the expected credit losses (ECL) model for measurement and recognition of impairment loss on its financial assets. Credit losses are measured as the present value of all cash shortfalls. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. The Company has applied a simplified approach to assess ECL for trade receivables, contract revenue receivables and all lease receivables. Loss allowances for these financial assets are always measured at an amount equal to lifetime ECLs.

Under the simplified approach, the Company recognises a loss allowance for estimated ECL based on historical experience adjusted for current and forward-looking factors specific to the debtors and the economic environment and current conditions that will always equal a lifetime of expected credit losses. Lifetime expected credit losses are those that result from all possible default events over the expected life of trade receivables. Estimates of uncollectible accounts are recorded as impairment loss and are reflected as additions to the accounts receivable allowance.

The Company evaluates its accounts receivable allowance by reviewing and assessing historical collection 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.

For other financial assets, the Company measures loss allowances at 12-month ECL unless the credit risks on that financial instruments have increased significantly since initial recognition.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Share-based payments

The ultimate parent 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.

3.11 Revenue

Revenue is recognised when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to each distinct performance obligation on a relative standalone selling price (SSP) basis. The Company determines the SSP by using the price charged for a deliverable when sold separately or uses management's best estimate of SSP for goods or services not sold separately based on the maximum number of observable data points, including: internal factors relevant to its pricing practices such as costs and margin objectives; standalone sales prices of similar products; percentage of the fee charged for a primary product or service relative to a related product or service; and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trends.

Sales taxes, usage-based taxes, value added taxes and other taxes are excluded from revenue.

Revenue arrangements generally comprise of two distinct performance obligations, an initial rating and the related monitoring service. Revenue attributed to initial ratings of issued securities is generally recognised when the rating is delivered to the issuer. Revenue attributed to monitoring of issuers or issued securities is recognised ratably over the period in which the monitoring is performed, generally one year.

The Company's arrangements generally have standard contractual terms for which the stated payments are due at conclusion of the ratings process for initial ratings and in arrears for monitoring services; and are signed by customers either on a per issue basis or at the beginning of the relationship with the customer.

The Company allocates the transaction price within arrangements that include both the initial rating and the related monitoring service based upon the relative SSP of each service. The Company generally uses management's best estimate based on observable pricing points in determining SSP for its initial ratings as the Company rarely provides initial ratings separately without providing related monitoring services. The SSP for monitoring fees in these arrangements are generally based upon directly observable selling prices where the monitoring service is sold separately.

Costs to obtain or fulfil a contract with a customer

Costs incurred to fulfill customer contracts, are deferred and recorded within other current assets and other assets when such costs relate directly to a contract, generate or enhance resources of the Company that will be used in satisfying performance obligations in the future and the Company expects to recover those costs. The Company capitalises work-in-process costs for in-progress MIS ratings, which is recognised consistent with the rendering of the related services to the customers, as ratings are issued.

3.12 Segmental reporting

In the opinion of the directors, the additional segmental analysis of turnover and profit before tax is not necessary as the Company operates in one class of business and most of the turnover is earned in the UK.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative results of the operation that has been discontinued are disclosed in the notes.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis; except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

In accordance with IFRS 5, the above policy is effective from 1 January 2015; no reclassifications are made in prior periods, an exemption available under FRS 101.

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 the 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 Allowance for accounts receivable

The Company recognises a loss allowance for estimated credit losses based on historical experience adjusted for current and forward-looking factors specific to the debtors and the economic environment and current conditions that will always equal a lifetime of expected credit losses. Lifetime expected credit losses are those that result from all possible default events over the expected life of trade receivables. Estimates of uncollectible accounts are recorded as impairment loss and are reflected as additions to the accounts receivable allowance.

Annually, the Company evaluates its accounts receivable allowance by reviewing and assessing historical collection 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.

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 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 parent'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.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.3 Share-based payments - Fair value (continued)

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

Contract balances, unbilled receivables and remaining performance obligations

Unbilled receivables

On 31 December 2018, receivables included approximately £35m of unbilled receivables. Certain arrangements contain contractual terms whereby the customers are billed in arrears for annual monitoring services, requiring revenue to be accrued as an unbilled receivable as such services are provided. Additionally, there are other instances in which the timing of when the Company has the unconditional right to consideration and recognises revenue prior to invoicing the customer, for which an unbilled receivable is recorded. In addition, for certain arrangements, the timing of when the Company has the unconditional right to consideration and recognises revenue occurs prior to invoicing the customer.

Deferred revenue

The Company recognises deferred revenue when a contract requires a customer to pay consideration to the Company in advance of when revenue related to the contract is recognised. This deferred revenue is relieved when the Company satisfies the related performance obligation and revenue is recognised.

Significant changes in the deferred revenue balances during the year are as follows:

	2018 £'000	2017 £'000
Deferred revenue		
Balance at 1 January	21,249	19,861
Changes in deferred revenue:		
Revenue recognised that was included in the deferred revenue balance at the beginning of the period	(21,174)	(20,000)
Increases due to amounts billable excluding amounts recognised as revenue during the period	17,301	21,399
Effect of exchange rate changes	5	(11)
Total changes in deferred revenue	(3,868)	1,388
Balance at 31 December	17,381	21,249
Deferred revenue – current	16,945	20,655
Deferred revenue – non-current	436	594

Deferred revenue decreased during the year ended 31 December 2018 primarily due to less annual monitoring fees billed.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

6 DISCONTINUED OPERATIONS

On 1 November 2018, the Company transferred the trade, assets and liabilities of its Sweden branch to Moody's Investors Service (Nordics) AB, a fellow subsidiary of the Moody's group. The results of discontinued operations have been shown separately from continuing operations in the Statement of comprehensive income and below:

	2018 £'000	2017 £'000
Results of discontinued operations		
Revenue	8,236	1,947
Operating expenses	(3,274)	(1,916)
Operating profit	<u>4,962</u>	<u>31</u>
Interest payable and similar expenses	(9)	(2)
Profit before taxation	<u>4,953</u>	<u>29</u>
Taxation on profit	(1,101)	(6)
Profit for the year	<u>3,852</u>	<u>23</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(62)	-
Other comprehensive loss for the year, after tax	<u>(62)</u>	<u>-</u>
Total comprehensive income for the year	<u>3,790</u>	<u>23</u>

All of the profit from continuing and discontinued operations are attributable to Moody's Corporation, which are the ultimate owners of the Company. The assets and liabilities of the discontinued operation are disclosed below:

	2018 £'000	2017 £'000
Trade and other receivables	236	1,632
Trade and other payables	(869)	(819)
Net (liabilities)/assets	<u>(633)</u>	<u>813</u>

7 OPERATING PROFIT

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of intangible assets	833	833
Depreciation of property, plant and equipment	1,245	2,031
Operating lease expense	1,557	2,037
Foreign exchange (gains)/losses, including losses on derivatives	(1,922)	1,141
Share-based payment charge	<u>10,458</u>	<u>9,794</u>
Auditor's remuneration		
Audit of these financial statements	<u>52</u>	<u>51</u>

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Bank interest received	49	88
Receivable from group undertakings	196	104
	<u>245</u>	<u>192</u>

9 INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'000	2017 £'000
Bank interest paid	<u>1,863</u>	181

10 DIRECTORS' EMOLUMENTS

	2018 £'000	2017 £'000
Aggregate emoluments and benefits	<u>8,158</u>	<u>6,050</u>

The directors of the Company exercised options over shares in the ultimate parent which is registered outside the United Kingdom. During the year, 2 (2017: 2) of the directors exercised share options which gave rise to an aggregate gain to the directors of £7,265,000 (2017: £5,144,000).

During the year, 2(2017: 2) of the directors were members of the Company's defined contribution pension scheme. The charge to the Company was £22,000 (2017: £24,000).

	2018 £'000	2017 £'000
Highest paid director:		
Aggregate emoluments and benefits	<u>7,112</u>	<u>5,163</u>

11 EMPLOYEE INFORMATION

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

	2018 No.	2017 No.
Management and administration	143	143
Analytical staff	402	405
	<u>545</u>	<u>548</u>

Employment costs were as follows:

	2018 £'000	2017 £'000
Salaries & benefits	52,441	59,450
Social security costs	10,270	10,959
Pension costs (see note 25)	4,293	4,758
Share-based payment charge	10,458	9,794
	<u>77,462</u>	<u>84,961</u>

MOODY'S INVESTORS SERVICE LIMITED

NOTES
for the year ended 31 December 2018

12 TAXATION ON PROFIT

	2018 £'000	2017 £'000
UK Corporation tax at 19% (2017: 19.25%)		
UK corporation tax on profits for the year	12,799	13,192
Adjustments in respect of prior periods	12,803	102
Foreign tax		
Current year	3,368	2,456
Deferred tax at 17-19% (2017: 17-19%)		
Originating and reversal of temporary differences	(121)	(458)
Adjustments in respect of prior periods	(296)	(113)
Taxation	28,553	15,179

Reconciliation of effective tax rate:

The taxation assessed on the profit for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit before taxation	98,682	110,908
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	18,750	21,350
Effect of:		
Branch income taxed at higher overseas rate	416	759
Expenses not deductible for tax purposes	527	204
Non-taxable income	(2,433)	(1,884)
Other taxable income not in PL	486	-
Group relief received	(1,732)	(5,101)
Adjustments in respect of prior periods	12,507	(11)
Difference in tax rates on temporary differences	32	(138)
Total tax expense	28,553	15,179

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 2 July 2013. Further reductions to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset as at 31 December 2018 has been calculated based on these rates.

The Company has historically claimed group relief from several other companies in the Moody's UK group. One of these companies is currently under audit with HMRC. Due to the uncertainty associated with this audit, the company has included an estimate of £12.6million in the tax charge.

13 INTANGIBLE ASSETS

	Customer contracts £'000
Cost	
At 1 January 2018 and 31 December 2018	<u>8,334</u>
Amortisation and impairment	
At 1 January 2018	3,484
Amortisation for the year	833
Balance at 31 December 2018	<u>4,317</u>
Net book value	
Balance at 31 December 2018	<u>4,017</u>
Balance at 31 December 2017	<u>4,850</u>

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2018	26,246	2,659	3,703	3,855	36,463
Additions	26	47	125	11	209
Foreign exchange adjustment	-	(15)	-	(5)	(20)
Disposals	(26,272)	-	-	-	(26,272)
At 31 December 2018	-	2,691	3,828	3,861	10,380
Depreciation					
At 1 January 2018	12,829	2,614	2,738	3,813	21,994
Charge for the year	885	13	335	12	1,245
Foreign exchange adjustment	-	(10)	-	-	(10)
Disposals	(13,714)	-	-	-	(13,714)
At 31 December 2018	-	2,617	3,073	3,825	9,515
Net book value					
At 31 December 2018	-	74	755	36	865
At 31 December 2017	13,417	45	965	42	14,469

On 1 August 2018, the Company transferred the Canary Wharf lease to Moody's Shared Services UK Limited, a fellow subsidiary of the Moody's group.

Depreciation is recognised in the Statement of comprehensive income on a straight-line basis over the estimated useful lives of tangible 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
- Leasehold improvements Depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvement

15 INVESTMENTS IN ASSOCIATES

	2018 £'000
Cost	
Balance at 1 January and 31 December	<u>1,180</u>

Details of the Company's investments are as follows:

Company	Registered address	Activity	Shareholding	Number of Shares	Nominal value
Moody's Mauritius Holdings Limited	IFS Court, Twenty-eight, Cybercity, Ebene, Mauritius	Holding of investments	32.95%	14,914	\$1

16 DEFERRED TAX

	2018 £'000	2017 £'000
Deferred tax	<u>5,075</u>	<u>6,603</u>

Deferred tax is calculated at 17-19% (2017: 17-19%) on temporary differences.

MOODY'S INVESTORS SERVICE LIMITED

NOTES
for the year ended 31 December 2018

16 DEFERRED TAX (continued)

	2018		2017	
	Amount provided £'000	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000
The balance on the provision for deferred taxation is as follows:				
Accelerated capital allowances	356	-	84	-
Tax on share options	4,690	-	6,493	-
Other temporary differences	29	-	26	-
	<u>5,075</u>	<u>-</u>	<u>6,603</u>	<u>-</u>

17 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Non-current		
Amounts due from group undertakings	40,416	-
Prepayments	-	494
	<u>40,416</u>	<u>494</u>

Amounts due from group undertakings includes an unsecured loan of €45,000,000 (£40,076,000) with a fixed interest rate of 0.8542% per annum and is due for repayment on 7 December 2020.

	2018 £'000	2017 £'000
Current		
Trade receivables	31,108	49,046
Amounts due from group undertakings	4,309	46,065
Other receivables	246	343
Prepayments	2,390	3,848
	<u>38,053</u>	<u>99,302</u>

Trade receivables are net of allowance for accounts receivable amounting to £2,558,000 (2017: £3,317,000).

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

Other receivables include derivatives amounting to £nil (2017: £259,000).

18 CONTRACT ASSETS

	2018 £'000	2017 £'000
Unbilled receivables and contract assets	<u>35,480</u>	<u>43,866</u>

19 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Non-current		
Accruals	-	12,427
Current		
Trade payables	2,411	3,755
Amounts due to group undertakings	10,326	14,034
Other payables (including taxation and social security)	18,531	6,818
Accruals	18,532	38,312
	<u>49,800</u>	<u>62,919</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand. Other payables include derivatives amounting to £24,000 (2017: £nil).

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

20 DEFERRED REVENUE

	2018 £'000	2017 £'000
Non-current		
Deferred revenue	<u>436</u>	<u>594</u>
Current		
Deferred revenue	<u>16,945</u>	<u>20,655</u>

21 PROVISIONS

	Dilapidation provision £'000	Restructure provision £'000	Total £'000
Balance at 1 January 2018	3,332	-	3,332
Charged to the Statement of comprehensive income	127	3,030	3,157
Transfer to Moody's Shared Services UK Limited	(3,459)	-	(3,459)
Balance at 31 December 2018.	<u>-</u>	<u>3,030</u>	<u>3,030</u>
Less than 1 year	-	2,787	2,787
More than 1 year	-	243	243
Balance at 31 December 2018	<u>-</u>	<u>3,030</u>	<u>3,030</u>
Balance at 1 January 2017	3,125	-	3,125
Charged to the Statement of comprehensive income	207	-	207
Balance at 31 December 2017	<u>3,332</u>	<u>-</u>	<u>3,332</u>
Less than 1 year	-	-	-
More than 1 year	3,332	-	3,332
Balance at 31 December 2017	<u>3,332</u>	<u>-</u>	<u>3,332</u>

On 1 August 2018, the Company transferred the Canary Wharf lease to Moody's Shared Services UK Limited, a fellow subsidiary of the Moody's group.

On 31 December 2018, a provision was made in relation to restructuring plans.

22 COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	2018 £'000	2017 £'000
Land and buildings:		
Less than one year	-	7,497
Between one and five years	-	29,988
More than five years	-	25,618
	<u>-</u>	<u>63,103</u>

On 1 August 2018, the Company transferred the Canary Wharf lease to Moody's Shared Services UK Limited, a fellow subsidiary of the Moody's group.

MOODY'S INVESTORS SERVICE LIMITED

NOTES

for the year ended 31 December 2018

23 SHARE CAPITAL

	2018	2017
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

24 DIVIDENDS

	2018	2017
	£'000	£'000
Dividends paid	<u>95,000</u>	<u>55,000</u>

On 18 June 2018, an interim dividend of £95m was paid to Moody's Shared Services UK Limited.

25 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 £4,293,000 (2017: £4,758,000).

26 SUBSEQUENT EVENTS

On 8 March 2019, the Company (excluding branches) entered into a cash management pooling system and as a result all cash was transferred into a centralised cash pool managed by Moody's Group UK Limited, a fellow subsidiary of the Moody's group.

On 21 March 2019, the Company's Poland branch entered into the cash management pooling system and as a result all cash was transferred into a centralised cash pool managed by Moody's Group UK Limited.

On 29 March 2019, the Company purchased the trade, assets and liabilities of the UK operations of MIS EMEA Limited for a total consideration of £8.5m.

On 15 May 2019, the directors recommended the payment of an interim dividend of £39m.

27 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.