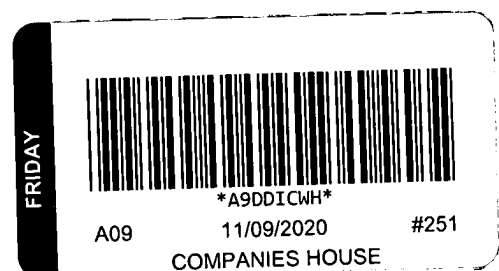


Registered number: 6384256

MOODY'S GROUP UK LIMITED
Annual Report
for the year ended 31 December 2019



MOODY'S GROUP UK LIMITED

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MOODY'S GROUP UK LIMITED

COMPANY INFORMATION

Directors: Timothy Herring
Laura Thomas

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 GROUP UK LIMITED

STRATEGIC REPORT for the year ended 31 December 2019

The ultimate parent of Moody's Group 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 to act as a holding company.

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") and the Company is a holding company for entities within both of these segments. The long-term strategy of Moody's, to which the Company's investments are aligned, 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;
- Build MA's position as a leading provider of risk management solutions to financial institutions; and
- Invest in strategic growth opportunities.

Moody's 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 and key performance indicators

The Company made a profit for the year of €87m (2018: €403m), the decrease mainly driven by impairment on investments.

The net assets of the Company decreased to €2,727m (2018: €2,935m) as at the reporting date, primarily driven by higher dividend distributions than profit for the year.

Significant events during the year

On 30 June 2019, following a strategic review of the business Moody's initiated a plan to sell the group of entities held by the Company's direct investment, Moody's Analytics Knowledge Services (Jersey) Limited ("MAKS Jersey"), which was subsequently sold on 8 November 2019 (see note 12).

On 2 December 2019, the Company reduced its share premium by €188,000,000.

Subsequent events and future outlook

The UK left the EU on 31 January 2020 and has entered an implementation (or transition) period which is expected to last until 31 December 2020 during which time the UK and the EU will negotiate a new relationship. During the implementation period, the UK will continue to be subject to EU rules and effectively remain a member of the single market and customs union. Consequently, the directors do not expect a significant effect on the Company in the short to medium term. The longer term impact is unclear.

The Covid-19 virus which started in late 2019 has developed into a global pandemic. With regards to operational risk, Moody's activated its management and technology plans for such a situation to ensure that Moody's is able to continue to operate smoothly across all of its offices around the world. Moody's employees are working from home in most countries, including the UK, and the Company has implemented plans to mitigate the disruption to core operations. The situation is changing rapidly and Moody's is taking steps to consider a number of different scenarios which could impact the global economy during the rest of the year and 2021. Management remain confident in the future of the Company, which continues to produce positive cash flows. Whilst the situation remains volatile, management will take appropriate measures and, at this time, remains confident that the Company will maintain profitability for the foreseeable future.

MOODY'S GROUP UK LIMITED

STRATEGIC REPORT for the year ended 31 December 2019

Going concern

The directors have considered the risks of Covid-19 and the potential impact on its net current liability position and concluded that the Company has access to sufficient resources. Therefore, 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

The Company's principal risk and uncertainty is the impact of current market conditions on the value of its investments. The Company's subsidiaries continue to look at new products and markets in order to maintain its revenue base and market share.

Principal risks and uncertainties relating to the Company and its subsidiaries 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
- 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
- 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.
- Outcomes resulting from Covid-19.

Section 172 statement

Section 172 of the Companies Act 2006 requires that the directors of a company must act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company.

The Company's role and purpose

The Company is a holding company for Moody's subsidiaries who are providers of (i) credit ratings and assessment services; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; and (vi) company information and business intelligence products.

Culture and business conduct

Moody's employees uphold Moody's worldwide reputation for high standards of business conduct. An important aspect of Moody's success is its collective commitment to operating in an ethical and lawful manner to maintain the integrity of its business. The Company uses its expertise and assets to make a positive difference through technology tools, research and analytical services that help other organisations and the investor community better understand the links between sustainability considerations and the global markets. The directors strive to maintain the highest standards of personal ethics and integrity in their dealings on behalf of Moody's. At a minimum, this means complying with the principles and policies articulated in our Code of business conduct.

Stakeholder engagement

The Company maintains key relationships that support the generation and preservation of value in Moody's. Through the maintenance of these key relationships, Moody's contributes to a broader stakeholder base to the benefit of both stakeholders and Moody's. The Company's primary stakeholders include:

- **Shareholders and Subsidiaries:** The Company is a wholly-owned subsidiary of Moody's Group Cyprus Limited and, indirectly, of Moody's Corporation. It also holds investments in subsidiaries as disclosed in note 12.

MOODY'S GROUP UK LIMITED

**STRATEGIC REPORT
for the year ended 31 December 2019**

Section 172 statement (continued)

Stakeholder engagement (continued)

- *Suppliers:* The primary components of Moody's supply chain are reputable financial services firms, sophisticated independent consulting firms and other service providers in the areas of finance and technology (including the procurement of software, data and other technology-related goods and services). The Company has implemented a Vendor Code of Conduct describing its expectations of incumbent and perspective vendors in the areas of business integrity, labour practices, employee health and safety, diversity and inclusion, and environmental stewardship and specifically addresses forced labour and human trafficking. In June 2020, the Directors reviewed and approved the Company's annual Modern Slavery Statement which was published on www.moody's.com and sets out the steps the Company takes to seek to prevent modern slavery taking place in its business and supply chains.
- *Community and Environment:* In its Corporate Social Responsibility ("CSR") initiatives, Moody's is committed to driving measurable impact in our complex and changing world by building more inclusive economies, stronger communities and an environmentally sustainable future. In order to achieve this, Moody's focus on social investing in three key areas: (i) empowering people with financial knowledge; (ii) activating an environmentally sustainable future; and (iii) helping young people reach their potential. Moody's produces a CSR report which covers its activities, including the Company, annually. For more information, please refer to: moody's.com/csr.

Key developments and decisions during the period

During the year under review, the Company made a number of key decisions having a long-term bearing on its operations. These included:

- *UK departure from the EU ("Brexit"):* The Company and its subsidiaries continued their preparations for various Brexit scenarios. The approach was designed to help meet its main objectives of continuing to best serve its subsidiaries' customers, minimising disruption to its business, retaining talent and meeting regulatory requirements. The UK left the EU on 31 January 2020 and has entered an implementation (or transition) period which is expected to last until 31 December 2020 during which time the UK and the EU will negotiate a new relationship. During the implementation period, the UK will continue to be subject to EU rules and effectively remain a member of the single market and customs union.
- *CoVid-19:* The directors have been kept informed of developments in relation to the Covid-19 pandemic referred to on page 2 and continue to consider the impact of the virus in their deliberations and decision making.

By order of the board of directors on 17 August 2020



**Timothy Herring
Director**

MOODY'S GROUP UK LIMITED**DIRECTORS' REPORT
for the year ended 31 December 2019**

The board of directors of Moody's Group UK Limited ("the Company") present their annual report, which includes the audited financial statements of the Company for the year ended 31 December 2019.

Dividends

On 8 August and 25 September 2019, interim dividends of €52.2m and €35.6m respectively were paid to Moody's Group Cyprus Limited.

On 8 August and 25 September 2019, interim dividends of €12.4m and €8.4m respectively were paid to Moody's Financing (Cyprus) Limited.

On 16 December 2019, interim dividends of €149.9m and €35.5m respectively were paid to Moody's Group Cyprus Limited and Moody's Financing (Cyprus) Limited.

Board of directors

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

Timothy Herring
Laura Thomas

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 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 17 August 2020



Timothy Herring
Director

MOODY'S GROUP UK LIMITED**STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS
for the year ended 31 December 2019**

The directors are responsible for preparing the Strategic report, the Director's 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 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 year. 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;
- 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. The directors 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 directors and are signed on their behalf by:



Timothy Herring
Director

Date: 17 August 2020



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S GROUP UK LIMITED
for the year ended 31 December 2019**

Opinion

We have audited the financial statements of Moody's Group UK Limited ("the Company") for the year ended 31 December 2019 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 2019 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.

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 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

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S GROUP UK LIMITED
for the year ended 31 December 2019**

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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

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.

A handwritten signature in black ink, appearing to read 'Paul Glendenning'.

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

19 August 2020

MOODY'S GROUP UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Revenue	5	277,695	374,561
Operating expenses		(1,679)	(472)
Impairment on investments	12	(187,818)	(59,361)
Reversal of impairment on investments		-	82,875
Operating profit	6	88,198	397,603
Interest receivable and similar income	7	3,687	8,663
Interest payable and similar expenses	8	(5,226)	(3,101)
Profit before taxation		86,659	403,165
Taxation on profit	11	-	-
Profit and total comprehensive income for the year		86,659	403,165

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 and appendix on pages 12 to 22 form an integral part of these financial statements.

MOODY'S GROUP UK LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	2019 €'000	2019 €'000	2018 €'000	2018 €'000
Non-current assets					
Investments	12	2,689,134		2,876,952	
Trade and other receivables	13	<u>144,879</u>		<u>142,640</u>	
			2,834,013		3,019,592
Current assets					
Trade and other receivables	13	533		2	
Cash and cash equivalents		<u>306,367</u>		<u>140,184</u>	
			306,900		140,186
Non-current liabilities					
Trade and other payables	14		(83,216)		(80,337)
Current liabilities					
Trade and other payables	14		(330,378)		(144,814)
Net assets			<u>2,727,319</u>		<u>2,934,627</u>
Equity					
Share capital	15		1,869,437		1,869,437
Share premium			538,000		726,000
Capital redemption reserve			26,500		26,500
Retained earnings			293,382		312,690
Shareholders' funds			<u>2,727,319</u>		<u>2,934,627</u>

The financial statements and appendix on pages 9 to 22 were approved by the board of directors on 17 August 2020 and were signed on its behalf by:



Timothy Herring
Director

Registered number: 6384256

The accompanying notes and appendix on pages 12 to 22 form an integral part of these financial statements.

MOODY'S GROUP UK LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Note	Share capital €'000	Share premium €'000	Capital redemption reserve €'000	Retained earnings €'000	Total equity €'000
Balance as at 1 January 2019		1,869,437	726,000	26,500	312,690	2,934,627
Profit and total comprehensive income for the year		-	-	-	86,659	86,659
Transactions with owners in their capacity as owners						
Special premium reduction		-	(188,000)	-	188,000	-
Dividends paid	16	-	-	-	(293,967)	(293,967)
Balance as at 31 December 2019		1,869,437	538,000	26,500	293,382	2,727,319
Balance as at 1 January 2018		1,869,437	726,000	26,500	318,351	2,940,288
Profit and total comprehensive income for the year		-	-	-	403,165	403,165
Transactions with owners in their capacity as owners						
Dividends paid	16	-	-	-	(408,826)	(408,826)
Balance as at 31 December 2018		1,869,437	726,000	26,500	312,690	2,934,627

The accompanying notes and appendix on pages 12 to 22 form an integral part of these financial statements.

MOODY'S GROUP UK LIMITED

NOTES

for the year ended 31 December 2019

1 THE COMPANY AND ITS OPERATIONS

Moody's Group 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 to act as a holding company. The Company is 80.86% owned by Moody's Group Cyprus Limited, a company incorporated in Cyprus. The remaining 19.14% is owned by Moody's Financing (Cyprus) Limited, a company incorporated in Cyprus.

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 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;
- Disclosures in respect of related party transactions with wholly-owned subsidiaries within the Moody's group;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

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, which is incorporated in the USA, can be obtained from ir.moody.com.

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:

- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company's subsidiary undertakings 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.

2.3 Going concern

The directors have considered the risks of Covid-19 and the potential impact on its net current liability position and concluded that the Company has access to sufficient resources. Therefore, 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.

2.4 Functional and presentation currency

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

2.5 New accounting standards applied during the current year

There were no new accounting standards applied during the year.

MOODY'S GROUP UK LIMITED

NOTES

for the year ended 31 December 2019

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 Business combinations

The Company applies the acquisition method of accounting for common control and third party business transfer arrangements. The acquired business is measured at fair value and the Company recognises intangible assets on initial recognition, if any.

3.2 Investments

Initial and subsequent recognition

Investments in subsidiaries are initially recognised at cost (being the fair value of the consideration given e.g. cash or shares) on the date when the Company acquires control of the subsidiary. Control exists when the Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in debt instruments are measured at amortised cost and adjusted for discount accretion or premium amortisation if any, where the intention is to hold them to maturity.

Subsequent to initial recognition, the investments continue to be recognised at cost less return of capital or repayment of principal amount and 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.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of 90 days or less.

The Company acts as a header of a cash management pooling system, with fellow subsidiaries in the Moody's group. As a result of that, excess cash is transferred to a centralised pool account, managed by the Company.

3.4 Revenue

Dividend income is recognised when the right to receive the payment has been established. This is disclosed as revenue on 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.

3.6 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 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.

MOODY'S GROUP UK LIMITED

NOTES

for the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Interest receivable and similar income

Interest receivable and similar income is recognised on an accruals basis and is earned on cash and cash equivalents and other financial assets. Interest receivable and similar income is disclosed on the Statement of comprehensive income.

3.8 Interest payable and similar expenses

Interest payable and similar expenses is recognised on an accrual basis and is incurred on interest bearing borrowings. Interest payable and similar charges is disclosed on the Statement of comprehensive income.

3.9 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, fair value through other comprehensive income 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 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.

3.10 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 measures loss allowances at 12-month ECL unless the credit risks on that financial instruments have increased significantly since initial recognition.

Non - financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The Company also separately assesses goodwill annually, irrespective of whether any indication exists.

An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

MOODY'S GROUP UK LIMITED

NOTES

for the year ended 31 December 2019

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 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.

4.2 Impairment

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's investments that are trading. 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 investment exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

5 REVENUE

	2019 €'000	2018 €'000
Dividends received	277,695	374,561

On 8 August 2019 and the 15 September 2019, the Company received €64.5m and €27.5m respectively from Moody's Holdings Limited (2018: €355.6m).

On 25 September 2019, the Company received €15.4m from Moody's Group France SAS (2018: €nil).

On 16 December 2019, the Company received €170.3m from Moody's Analytics Knowledge Services (Jersey) Limited (2018: €3.8m).

6 OPERATING PROFIT

	2019 €'000	2018 €'000
Operating profit is stated after charging/(crediting):		
Foreign exchange losses	1,040	308
Impairment on investments (note 12)	187,818	59,361
Reversals of impairment on investments (note 12)	-	(82,875)
Auditor's remuneration	7	7
Audit of these financial statements	7	7

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 €'000	2018 €'000
Bank interest received	831	181
Receivable from group undertakings	2,856	8,482
	3,687	8,663

MOODY'S GROUP UK LIMITED

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for the year ended 31 December 2019

8 INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 €'000	2018 €'000
Bank interest paid	221	45
Payable to group undertakings	5,005	3,056
	<u>5,226</u>	<u>3,101</u>

9 DIRECTORS' EMOLUMENTS

The Directors who held office during the year received no emoluments in respect of their services to the Company (2018: €nil). The Directors are employed by another company within the Moody's group so any remuneration given is borne by that company. No remuneration is given in respect of acting as a Director of this entity as it is incidental to their overall responsibilities to the Moody's group.

10 EMPLOYEE INFORMATION

There were no employees during the year (2018: nil).

11 TAXATION ON PROFIT

	2019 €'000	2018 €'000
UK Corporation tax at 19% (2018: 19%)		
UK corporation tax on profits for the year	-	-
Deferred tax at 19% (2018: 19%)		
Originating and reversal of temporary differences	-	-
Taxation	<u>-</u>	<u>-</u>

Factors affecting current taxation:

The taxation assessed on the profit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 €'000	2018 €'000
Profit before tax	<u>86,659</u>	<u>403,165</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	16,465	76,601
Effect of:		
Expenses not deductible for tax purposes	801	778
Non-taxable income	(17,076)	(75,634)
Group relief claimed	(190)	(1,745)
Total tax expense	<u>-</u>	<u>-</u>

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. Since the Statement of Financial Position date the UK Government has announced that the reduction of the UK corporation tax will be postponed until 1 April 2022 at the earliest.

MOODY'S GROUP UK LIMITED

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for the year ended 31 December 2019

12 INVESTMENTS

	2019 €'000
Cost	
Balance at 1 January 2019	3,077,313
Balance at 31 December 2019	<u>3,077,313</u>
Impairment	
Balance at 1 January 2019	200,361
Impairment on investments	187,818
Balance at 31 December 2019	<u>388,179</u>
Net book value	
Balance at 31 December 2019	<u>2,689,134</u>
Balance at 31 December 2018	<u>2,876,952</u>

On 30 June 2019, following a strategic review of the business Moody's initiated a plan to sell the group of entities held by the Company's direct investment, Moody's Analytics Knowledge Services (Jersey) Limited ("MAKS Jersey"). This resulted in the Company recognising an impairment of the investment of €188m, following the subsequent sale on 8 November 2019. The fair value hierarchy within which the investment is measured, is categorised as level 3, in accordance with IFRS 13 Fair Value Measurement.

Details of the Company's direct investments are as follows:

Company	Registered address	Principal activity	Shareholding	Number of shares	Nominal value
Moody's Group France SAS	92-96 Boulevard Haussmann, 75008 Paris, France	Holding of investments	100%	30,433,700	€10
Moody's Analytics Ireland Limited	Arthur Cox Building, 10 Earlsfort Terrace, Dublin 2, DO2 T380, Ireland	Research and analytical services	100%	1	€1
Moody's Holdings Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	Holding of investments	100%	475,600,757	£1
Moody's Analytics Czech Republic s.r.o.	Washingtonova 1599/17, 110 00 Prague 1, Czech Republic	Research and analytical services	10%	-	-
Moody's Canada LP	155 Wellington Street West, Toronto, ON M5V 3J7, Canada	Group financing partnership	99.9%	-	-
Moody's Analytics Knowledge Services (Jersey) Limited	44 Esplanade, St Helier, Jersey JE4 9WG, UK	Research and analytical services	100%	17,721,692	£0.001
Moody's Analytics Knowledge Services (Jersey) Limited (Preference shares)	44 Esplanade, St Helier, Jersey JE4 9WG, UK	Research and analytical services	100%	2	\$1
Gilliland Gold Young Consulting Inc.	5001 Yonge St, North York, ON M2N 6P6, Canada	Actuarial services	100%	101,643,697	CAD 1
Moody's Analytics Technical Services (UK) Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	Research and risk analysis services	100%	1,001	£1
Moody's Analytics Technical Services (Hong Kong) Limited	18/F Edinburgh Tower, The Landmark, 15 Queen's Road	Research and risk analysis services	100%	6,250,000	HK\$1

Details of the Company's indirect investments can be found in the Appendix on pages 20 to 22.

MOODY'S GROUP UK LIMITED

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for the year ended 31 December 2019

13 TRADE AND OTHER RECEIVABLES

	2019 €'000	2018 €'000
Non-current		
Amounts due from group undertakings	<u>144,879</u>	<u>142,640</u>

Amounts due from group undertakings include an unsecured loan with an interest rate set quarterly as per the Central Bank of France and is due for repayment on 9 October 2028.

	2019 €'000	2018 €'000
Current		
Prepayments and accrued income	36	2
Other receivables	497	-
	<u>533</u>	<u>2</u>

14 TRADE AND OTHER PAYABLES

	2019 €'000	2018 €'000
Non-current		
Amounts due to group undertakings	<u>83,216</u>	<u>80,337</u>

Amounts due to group undertakings includes an unsecured loan with a fixed interest rate of 4.73% per annum and can be repaid with no penalties at anytime until 8 December 2021.

	2019 €'000	2018 €'000
Current		
Accruals	337	7
Notes payable	12,622	12,095
Amounts due to group undertakings	317,419	132,707
Trade payables	-	5
	<u>330,378</u>	<u>144,814</u>

Notes payable include amounts due to the previous shareholders of Moody's Analytics Knowledge Services (Jersey) Limited, they are repayable on demand and had an effective interest rate of 4.2% per annum. From 1 November 2014 the notes payable were made interest free.

Amounts due to group undertakings includes €303.1m arising from the cash management pool account. For further information on the cash management arrangement, please refer to note 3.3.

15 SHARE CAPITAL

	2019 €'000	2018 €'000
Allotted, called up and fully paid		
1,869,437,409 A ordinary shares of €1 each	<u>1,869,437</u>	<u>1,869,437</u>

16 DIVIDENDS

	2019 €'000	2018 €'000
Dividends paid	<u>293,967</u>	<u>408,826</u>

On 8 August and 25 September 2019, interim dividends of €52.2m and €35.6m respectively were paid to Moody's Group Cyprus Limited.

On 8 August and 25 September 2019, interim dividends of €12.4m and €8.4m respectively were paid to Moody's Financing (Cyprus) Limited.

On 16 December 2019, interim dividends of €149.9m and €35.5m respectively were paid to Moody's Group Cyprus Limited and Moody's Financing (Cyprus) Limited.

MOODY'S GROUP UK LIMITED**NOTES****for the year ended 31 December 2019****17 SUBSEQUENT EVENTS**

The Covid-19 virus which started in late 2019 has developed into a global pandemic. With regards to operational risk, Moody's activated its management and technology plans for such a situation to ensure that Moody's is able to continue to operate smoothly across all of its offices around the world. Moody's employees are working from home in most countries, including the UK, and the Company has implemented plans to mitigate the disruption to core operations. The situation is changing rapidly and Moody's is taking steps to consider a number of different scenarios which could impact the global economy during the rest of the year and 2021. Management remain confident in the future of the Company, which continues to produce positive cash flows. Whilst the situation remains volatile, management will take appropriate measures and, at this time, remains confident that the Company will maintain profitability and remain cash generative for the foreseeable future.

18 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, which is incorporated in the USA, can be obtained from ir.moody.com.

MOODY'S GROUP UK LIMITED

APPENDIX for the year ended 31 December 2019

INVESTMENTS

Details of the Company's indirect investments are as follows:

Company	Registered address	Shareholding	Class of shares held
Fermat International SA	Avenue du Port 86C boîte 204, 1000 Brussels, Belgium	100%	Ordinary
Moody's Analytics SAS	436 Bureaux de la Colline-92213 St Cloud, Cedex, France	100%	Ordinary
Moody's France SAS	92-96 bis boulevard Hausmann, 74-80, rue d'Anjou, 75008 Paris, France	100%	Ordinary
Moody's Group Deutschland GmbH	An der Welle 5, 60322 Frankfurt am Main, Germany	100%	Ordinary
Moody's Deutschland GmbH	An der Welle 5, 60322 Frankfurt am Main, Germany	100%	Ordinary
Moody's Analytics Deutschland GmbH	An der Welle 5, 60322 Frankfurt am Main, Germany	100%	Ordinary
Moody's Italia S.r.l.	Corso Di Porta Romana 68, Milan, Italy	100%	Ordinary
Moody's Analytics UK Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	100%	Ordinary
Moody's Shared Services UK Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	100%	Ordinary
Moody's Investors Service Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	100%	Ordinary
Moody's EMEA Holdings Limited	Washingtonova 1599/17, 110 00 Prague 1, Czech Republic	100%	Ordinary
Moody's Investors Service EMEA Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	100%	Ordinary
Moody's Investors Service Middle East Limited	Office 3 & 4, Level 3, Gate Precinct Building 3, DIFC P.O. Box 506845, Dubai	100%	Ordinary
Moody's Risk Assessments Limited	One Canada Square, Canary Wharf, London, E14 5FA, UK	100%	Ordinary
Moody's Investors Service (Nordics) AB	Krejaren 2, Osternalmstrong 1, 114 42 Stockholm	100%	Ordinary
Traidum GmbH	Löwengässchen 2, 8200 Schaffhausen	40%	Ordinary
Moody's Lithuania UAB	Didžioji st. 18, Vilnius City, Vilnius City Municipality, Lithuania.	100%	Ordinary
Moody's Analytics Knowledge Services (Singapore) Private Limited	Camelot Trust Pte Ltd, 137 Telok Ayer Street #08-01, Singapore 068602	100%	Ordinary
Moody's Analytics Knowledge Services Holdings (Mauritius) Limited	4th Floor, CA Building, 19 Poudriere Street, Port Louis, Mauritius	100%	Ordinary
Moody's Analytics Knowledge Services Research (Mauritius) Limited	4th Floor, CA Building, 19 Poudriere Street, Port Louis, Mauritius	100%	Ordinary

MOODY'S GROUP UK LIMITED

APPENDIX
for the year ended 31 December 2019

INVESTMENTS (continued)

Details of the Company's indirect investments are as follows:

Company	Registered address	Shareholding	Class of shares held
Risk First Group Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First Enterprise Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Nile 1 Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Nile 2 Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Nile 3 Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Nile 4 Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Nile 5 Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First (Holdings) Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First Management Services Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First Inc.	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Skyval Holdings LLP	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Partnership
Skyval Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Risk First (IP) Limited	Second Floor, 77 Kingsway, London, WC2B 6SR	100%	Ordinary
Vigeo	Les Mercuriales, 40 rue Jean Jaurès 93170 Bagnolet, France	69.2%	Ordinary
Vigeo Belgium NV	Rue du Progrès, 333, 10430 Brussels, Belgium	69.2%	Ordinary
Vigeo Italia S.r.l	Via Lodovico Settala 6, 20124 Milan, Italy	69.2%	Ordinary
Vigeo Eiris Hong Kong Limited	Unit C, 8/F, King Palace Plaza, No 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong	69.2%	Ordinary
Vigeo Eiris Chile SpA	San Pio X 2460, Oficina 1803, Providencia, Santiago, Chile	69.2%	Ordinary
Vigeo Eiris Canada Inc.	3 Place Ville-Marie, Montréal, Québec, H3 2E3, Canada	69.2%	Ordinary
Vigeo Eiris USA, LLC	18 West 18th Street - 6th Floor, New York, NY 10011, US	69.2%	Ordinary

MOODY'S GROUP UK LIMITED**APPENDIX
for the year ended 31 December 2019****INVESTMENTS (continued)**

Details of the Company's indirect investments are as follows:

Company	Registered address	Shareholding	Class of shares held
Ethical Investment Research Services (EIRIS) Limited	The Foundry 17-19 Oval Way, London, SE11 5RR. United-Kingdom	69.2%	Ordinary
Eiris Conflict Risk Network (CRN) Ltd.	89 South Street, Boston, MA 02111, USA	69.2%	Ordinary
Ethical Investment Research Services (EIRIS) USA Limited	89 South Street, Boston, MA 02111, USA	69.2%	Ordinary