

Registered number: 7988721

MOODY'S GROUP FINANCE LIMITED

Annual Report

for the year ended 31 December 2016

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MOODY'S GROUP FINANCE LIMITED

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MOODY'S GROUP FINANCE LIMITED**COMPANY INFORMATION**

Director:	Timothy Herring
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 FINANCE LIMITED

STRATEGIC REPORT for the year ended 31 December 2016

The ultimate parent of Moody's Group Finance 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 provide financing to fellow group companies. 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's principal strategy is to provide financing for entities within both these segments.

Financial results and key performance indicators

The Company made a profit for the year of \$17.7m (2015: \$20.8m).

The net assets of the Company increased to \$576.2m (2015: \$558.4m), driven by the profit for the year.

Significant events during the year

On 23 June 2016, the United Kingdom ("UK") held a referendum that resulted in a vote to leave the European Union ("EU") ("Brexit vote"). The Prime Minister of the UK officially notified the EU on 29 March 2017 of its intention to leave. The terms of any future arrangements between the UK and the EU are currently uncertain. Management are following developments and considering the implications for the Company.

Subsequent events

There are no subsequent events after the reporting date that require adjustments to or disclosure in the financial statements.

Future outlook

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

Going concern

The directors are satisfied at the time of submitting the financial statements that the Company has adequate resources through its investments 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 Moody's companies it lends to. Moody's continues to look at new products and markets in order to maintain its revenue base and market share.

Principal risks and uncertainties relating to the 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 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; and
- dependency on the use of third-party software, data, hosted solutions, data centres 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.

By order of the board of directors on 13 September 2017



Timothy Herring
Director

MOODY'S GROUP FINANCE LIMITED**DIRECTOR'S REPORT
for the year ended 31 December 2016**

The director of Moody's Group Finance Limited ("the Company") presents the annual report, which includes the audited financial statements of the Company for the year ended 31 December 2016.

Dividends

The Company did not make any dividend payments during the year (2015: \$nil).

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
Ian Glover (resigned: 12 October 2016)

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

Indemnity

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

Disclosure of information to the auditor

The director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all steps that ought to have been taken to make himself 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 director on 13 September 2017



**Timothy Herring
Director**

MOODY'S GROUP FINANCE LIMITED**STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS
for the year ended 31 December 2016**

The director is responsible for preparing the Strategic report, Director's report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare the financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 ("FRS 101") 'Reduced Disclosure Framework').

Under company law, the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and the requirements of the Companies Act 2006; and
- prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements were approved by the director and are signed by:



Timothy Herring
Director

Date: 13 September 2017



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOODY'S GROUP FINANCE LIMITED
for the year ended 31 December 2016**

We have audited the financial statements of Moody's Group Finance Limited ("the Company") for the year ended 31 December 2016 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of director and auditor

As explained more fully in the Statement of director's responsibilities in respect of the Strategic report, Director's report and the financial statements set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

13 Sept

2017

MOODY'S GROUP FINANCE LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Revenue	5	17,758	17,382
Operating expenses		(12)	(16)
Profit before taxation	6	17,746	17,366
Taxation on profit	9	-	3,410
Profit and total comprehensive income for the year		17,746	20,776

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

The Company has no components of other comprehensive income.

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

MOODY'S GROUP FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000
Non-current assets					
Trade and other receivables	10		566,169		548,410
Current assets					
Trade and other receivables	10	3,704		7,693	
Cash and cash equivalents		<u>6,318</u>		<u>2,344</u>	
			10,022		10,037
Current liabilities					
Trade and other payables	11		<u>(13)</u>		<u>(16)</u>
Total assets less current liabilities			576,178		558,431
Net assets			<u>576,178</u>		<u>558,431</u>
Equity					
Share capital	12		-		-
Share premium			500,392		500,392
Retained earnings			75,786		58,039
Shareholders' funds			<u>576,178</u>		<u>558,431</u>

The financial statements on pages 6 to 13 were approved by the director on 13 September 2017 and were signed on its behalf by:



Timothy Herring
Director

Registered number: 7988721

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

MOODY'S GROUP FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 January 2016	-	500,392	58,039	558,431
Profit and total comprehensive income for the year	-	-	17,746	17,746
Balance as at 31 December 2016	-	500,392	75,785	576,177
Balance as at 1 January 2015	-	500,392	37,263	537,655
Profit and total comprehensive income for the year	-	-	20,776	20,776
Balance as at 31 December 2015	-	500,392	58,039	558,431

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

MOODY'S GROUP FINANCE LIMITED

NOTES

for the year ended 31 December 2016

1 THE COMPANY AND ITS OPERATIONS

Moody's Group Finance 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 provide financing to fellow group companies. The Company is a wholly-owned subsidiary of Moody's International (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" that was issued in September 2015.

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

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 Centre, 250 Greenwich Street, New York, NY 10007, USA.

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

- Statement of cash flows and related notes;
- Disclosures in respect of related parties transactions with wholly-owned subsidiaries within the Moody's group; and
- The effects of new but not yet effective IFRSs.

2.2 Basis of measurement

These financial statements have been prepared on the going concern and historical cost basis.

2.3 Functional and presentation currency

The Company's financial statements are presented in US dollars ("\$"), which is also the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

3.1 Revenue

Interest receivable and similar income are recognised on an accrual basis and includes interest income from cash and cash equivalents and on other financial assets. This is disclosed as revenue in the Statement of comprehensive income.

3.2 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.

MOODY'S GROUP FINANCE LIMITED
NOTES
for the year ended 31 December 2016
3 SIGNIFICANT ACCOUNTING POLICIES (continued)
3.3 Interest-bearing borrowing

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation including gain/loss on derecognition is included in finance costs in the Statement of comprehensive income.

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

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.

5 REVENUE

	2016 \$'000	2015 \$'000
Bank interest received	-	13
Interest receivable from group undertakings	17,758	17,369
	<u>17,758</u>	<u>17,382</u>

6 PROFIT BEFORE TAXATION

	2016 \$'000	2015 \$'000
Profit before taxation is stated after (crediting)/charging:		
Foreign exchange gains	(3)	(4)
	<u>2016</u>	<u>2015</u>
Auditor's remuneration	\$'000	\$'000
Audit of these financial statements	14	20

7 DIRECTORS' EMOLUMENTS

The directors' duties of the Company are incidental to their employment within the Moody's Group. As such, the directors did not receive remuneration in respect of their role as directors of the Company (2015: \$nil).

8 EMPLOYEE INFORMATION

There were no employees during the year (2015: nil).

MOODY'S GROUP FINANCE LIMITED

NOTES

for the year ended 31 December 2016

9 TAXATION ON PROFIT

	2016 \$'000	2015 \$'000
UK Corporation tax at 20% (2015: 20.25%)		
UK corporation tax on profits of the year	-	-
Adjustments in respect of prior periods	-	(3,410)
Deferred tax at 17% (2015: 19%)		
Originating and reversal of temporary differences	-	-
Taxation	-	(3,410)

Reconciliation of effective tax rate:

The taxation assessed on the profit for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:

	2016 \$'000	2015 \$'000
Profit before tax	17,746	17,366
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	3,549	3,517
Effect of:		
Exempt income	(3,551)	(3,520)
Expenses not deductible for tax purposes	2	3
Adjustments in respect of prior periods	-	(3,410)
Total tax expense/(credit)	-	(3,410)

10 TRADE AND OTHER RECEIVABLES

	2016 \$'000	2015 \$'000
Non-current:		
Amounts due from group undertakings	566,169	548,410

Amounts due from group undertakings are unsecured, due for repayment on 9 March 2018 and have a fixed interest rate of 3.27% per annum. The outstanding interest balance is included in the carrying amount.

	2016 \$'000	2015 \$'000
Current		
Amounts due from group undertakings	-	3,989
Corporation tax	3,704	3,704
	3,704	7,693

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

11 TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Current		
Accruals	13	16

MOODY'S GROUP FINANCE LIMITED

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for the year ended 31 December 2016

12 SHARE CAPITAL

	2016 \$	2015 \$
Allotted, called up and fully paid 101 ordinary shares of \$1 each	101	101

13 FINANCIAL RISK MANAGEMENT

The Company's financial instruments are subject to credit, liquidity and interest rate risk.

Credit risk

Credit risk is the potential that an issuer, counterparty or an underlying third party will be unable to meet commitments that it has entered into with the Company. The Company's cash and cash equivalents are held with the banks listed in the table below. The Company regularly monitors each bank's credit rating. As at the reporting date, Moody's short-term credit ratings were as follows:

	2016 \$'000	Rating	2015 \$'000	Rating
Bank of America N.A.	6,318	P-1	2,344	P-1

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

- P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
- P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
- P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
- Aaa-mf Money market funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.
- NR Issuers (or supporting institutions) are not rated.

Liquidity risk

The Company's liquidity risk is the risk that it will encounter difficulties raising liquid funds to meet commitments as they fall due. There is a treasury function at group level which regularly monitors the liquidity position and maintains appropriate funds to meet Company level liquidity requirements. The following tables analyse the Company's assets and liabilities into relevant maturity groupings as at the reporting date. The amounts in the tables are the contractual undiscounted cash flows.

	Less than 3 months \$'000	Between 3 months to 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Balance at 31 December 2016					
Cash and cash equivalents	6,318	-	-	-	6,318
Trade and other receivables	-	-	566,169	-	566,169
Net position	6,318	-	566,169	-	572,487
Balance at 31 December 2015					
Cash and cash equivalents	2,344	-	-	-	2,344
Trade and other receivables	3,989	-	548,410	-	552,399
Net position	6,333	-	548,410	-	554,743

Interest rate risk

The Company has minimal interest rate risk. Interest bearing assets relate to cash and short term deposits. Cash is held in interest bearing current accounts where practicable with major financial institutions. There are negligible interest bearing liabilities.

Accounting classifications and fair values

Fair values versus carrying amounts

The table below presents fair value for financial instruments.

	2016 Total Carrying Amount \$'000	Total Fair Value \$'000	2015 Total Carrying Amount \$'000	Total Fair Value \$'000
Loan receivable	566,169	566,005	548,410	547,209

MOODY'S GROUP FINANCE LIMITED

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for the year ended 31 December 2016

13 FINANCIAL RISK MANAGEMENT (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy

The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) as they trade infrequently.

All financial instruments have been measured at level 2.

For loans receivable/payable, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date.

14 MANAGEMENT OF CAPITAL

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new capital or return capital to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Company is not subject to any externally imposed capital requirements.

15 SUBSEQUENT EVENTS

There are no subsequent events after the reporting date that require adjustments to or disclosure in the financial statements.

16 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 Centre, 250 Greenwich Street, New York, NY 10007, USA.