

**CRISIL IREVNA US LLC**  
New York, New York

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

# CRISIL IREVNA US LLC

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## INDEPENDENT AUDITORS' REPORT

To the Member  
CRISIL Irevna US LLC  
New York, New York

We have audited the accompanying financial statements of CRISIL Irevna US LLC (the "Company"), which comprise the balance sheet as of December 31, 2014, and the related statement of income and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRISIL Irevna US LLC as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Member  
CRISIL Irevna US LLC

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
January 27, 2015

**FINANCIAL STATEMENTS**

# CRISIL IREVNA US LLC

## BALANCE SHEET As of December 31, 2014

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 1,254,037
Accounts receivable, net of allowance of \$141,632	8,947,875
Prepaid expenses and other current assets	172,794
Deferred tax assets	<u>52,000</u>
Total Current Assets	10,426,706
Property and Equipment, net	49,299
Goodwill	681,902
Investment in Argentina	11,908
Security Deposits	<u>26,522</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,196,337</u></b>

### LIABILITIES AND MEMBER'S EQUITY

#### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 1,440,398
Unearned revenue	43,041
Income taxes payable	96,437
Due to related party	<u>9,093,284</u>
Total Current Liabilities	10,673,160
Other Liabilities	319,944
Deferred Tax Liabilities	<u>45,000</u>
Total Liabilities	11,038,104

#### COMMITMENTS

MEMBER'S EQUITY	<u>158,233</u>
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<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 11,196,337</u></b>
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See notes to financial statements.

## CRISIL IREVNA US LLC

### STATEMENT OF INCOME AND MEMBER'S EQUITY For the Year Ended December 31, 2014

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<b>REPORT FEES</b>	\$ 41,399,314
<b>PROCESSING FEES</b>	<u>30,724,412</u>
Gross Profit	10,674,902
<b>OPERATING COSTS AND EXPENSES</b>	<u>10,061,383</u>
Income from Operations	<u>613,519</u>
<b>OTHER EXPENSE</b>	
Other expense	<u>10,763</u>
Total Other Expense	<u>10,763</u>
Income before Provision for Income Taxes	602,756
Provision for Income Taxes	<u>222,599</u>
<b>NET INCOME</b>	380,157
MEMBER'S DEFICIT - Beginning of Year	<u>(221,924)</u>
<b>MEMBERS' EQUITY - END OF YEAR</b>	<u>\$ 158,233</u>

See notes to financial statements.



## CRISIL IREVNA US LLC

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2014

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#### CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 380,157
Adjustments to reconcile net income to net cash flows from operating activities:	
Deferred tax asset	106,000
Bad debt expense	131,812
Depreciation	29,502
Changes in operating assets and liabilities	
Accounts receivable	(3,377,429)
Prepaid expenses and other current assets	(51,587)
Security deposits	(1,738)
Accounts payable and accrued liabilities	211,881
Income taxes payable	96,682
Other liabilities	(5,976)
Deferred revenue	12,512
Due to related party	<u>1,306,793</u>
Net Cash Flows from Operating Activities	<u>(1,161,391)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES

Capital expenditures	<u>(38,846)</u>
Net Cash Flows from Financing Activities	<u>(38,846)</u>

**Net Change in Cash and Cash Equivalents** (1,200,237)

CASH AND CASH EQUIVALENTS - Beginning of Year 2,454,274

**CASH AND CASH EQUIVALENTS - End of Year** \$ 1,254,037

#### SUPPLEMENTAL DISCLOSURE

Cash paid during the year for income taxes	<u>\$ 19,917</u>
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# CRISIL IREVNA US LLC

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### **NOTE 1 - Summary of Significant Accounting Policies**

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#### *Nature of Operations*

CRISIL Irevna US LLC (the "Company") is a wholly-owned subsidiary of CRISIL Irevna UK Limited of the United Kingdom ("Irevna U.K."). The Company is an outsource provider of high-end research and analysis with a focus on serving the global financial services community. The Company's research and processing services are performed by CRISIL Ltd. ("CRISIL"), parent company of Irevna U.K., and Irevna U.K. (see Notes 4 and 6).

The Company provides marketing and customer support services for Coalition Development Limited.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds maintained in checking accounts at financial institutions.

At year-end and at various times throughout the year, the Company had balances in amounts in excess of federally insured limits on deposit with a bank. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

#### *Accounts Receivable*

In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. In determining the amount of the allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management determines they are uncollectible. The allowance for doubtful accounts was \$141,632 as of December 31, 2014.

#### *Property and Equipment*

Property and equipment are stated at cost. Depreciation on property and equipment is calculated using straight-line and accelerated methods over the estimated useful lives of the related assets.

#### *Goodwill*

Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other" requires that goodwill and intangible assets having indefinite lives not be amortized, but instead be tested for impairment at least annually. Intangible assets determined to have definite lives are amortized over their remaining useful lives. The Company tested goodwill for impairment on December 31, 2014. There was no goodwill impairment recognized during the year ended December 31, 2014.

## CRISIL IREVNA US LLC

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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#### NOTE 1 - Summary of Significant Accounting Policies (cont.)

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##### *Revenue Recognition*

The Company recognizes revenue when the service is performed.

##### *Income Taxes*

The Company is registered as an LLC but is treated as a "C" Corporation for federal and state tax purposes and uses the asset and liability method as identified in "Accounting for Income Taxes."

##### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Subsequent Events*

The Company has evaluated events and transactions that occurred between January 1, 2015 and January 27, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No events or transactions were identified during this period that required disclosure or recognition.

##### *Uncertain Tax Positions*

The Company follows the provisions of "Accounting for Uncertainty in Income Taxes", which prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under "Accounting for Uncertainty in Income Taxes", an entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Company recognizes interest and penalties as income tax expense. The Company did not incur any significant amounts of interest and penalties during the year ended December 31, 2014. The Company is no longer subject to the United States federal, state and local income tax examinations by tax authorities for years before 2011. The Company has evaluated its tax position for the year ended December 31, 2014, and does not expect a material adjustment.

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#### NOTE 2 - Property and Equipment

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The major categories of property and equipment at December 31, 2014 are summarized as follows:

Office Equipment	\$	126,568
Furniture and Fixtures		<u>12,030</u>
		138,598
Less Accumulated Depreciation and Amortization		<u>89,299</u>
Net Property and Equipment	\$	<u>49,299</u>

Depreciation expense charged to operations for the year ended December 31, 2014 was \$29,502.



## CRISIL IREVNA US LLC

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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#### **NOTE 3 - Operating Leases (Lessee)**

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The Company leases office space under two noncancelable leases which expire through August 2015. Rent expense charged to operations for office space was \$195,595 for the year ended December 31, 2014.

Future minimum payments as of December 31, 2014 for the remaining term of the leases are approximately \$77,800.

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#### **NOTE 4 - Related Party Transactions**

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##### *Loans to Employees*

The Company advanced payroll to certain employees during the year ended December 31, 2014. These receivables are included in prepaid expenses and other current assets and are unsecured with no definitive repayment terms and non-interest bearing. At December 31, 2014, the Company has a receivable from employees for these loans of \$57,452.

##### *Due to Related Party*

For the year ended December 31, 2014, CRISIL billed the Company \$20,551,633 for research and processing services. The Company owed a total of \$6,750,918 as of December 31, 2014 for these services.

The service fees charged to the Company are calculated according to a Management Service Agreement between the Company and their related party. Processing fees are charged at a rate of cost plus a 6% margin on these costs incurred.

For the year ended December 31, 2014, Coalition Development Limited billed the Company \$10,172,779 for research and processing services. The Company owed a total of \$2,342,366 as of December 31, 2014 to Coalition Development Limited.

The service fees charged to Coalition Development Limited are calculated according to a Management Service Agreement between the Company and their related party. The Company receives compensation equal to its cost for providing services plus a 6% margin on these costs incurred.

##### *Investment in Argentina*

Investment in Argentina consists of a five percent ownership interest in CRISIL Irevna Argentina S.A. ("Irevna Argentina"), which was \$11,908 at December 31, 2014.

## CRISIL IREVNA US LLC

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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#### NOTE 5 - Income Taxes

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The provision (benefit) for income taxes is composed of the following for the year ended December 31, 2014:

Current	
Federal	\$ 120,924
State and City	<u>(4,325)</u>
Total Current	<u>116,599</u>
Deferred	
Federal	90,000
City	<u>16,000</u>
Total Deferred	<u>106,000</u>
Total Provision for Income Taxes	<u>\$ 222,599</u>

The tax effects of the temporary differences giving rise to the Company's net deferred tax assets are as follows as of December 31, 2014:

Deferred Tax Assets	
Federal - allowance for doubtful accounts	\$ 44,000
State and city - allowance for doubtful accounts	<u>8,000</u>
Total Deferred Tax Assets	<u>52,000</u>
Deferred Tax Liabilities	
Federal - goodwill amortization	(36,000)
State and city - goodwill amortization	<u>(9,000)</u>
Total Deferred Tax Liabilities	<u>(45,000)</u>
Net Deferred Tax Assets	<u>\$ 7,000</u>

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#### NOTE 6 - Major Customers and Service Providers

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##### *Major Customers*

Report fees include sales of approximately 25%, 15%, and 12%, respectively, of sales for three customers for the year ended December 31, 2014. Receivables due from two customers were approximately 25% and 15%, respectively, of total accounts receivable at December 31, 2014.

##### *Service Provider*

All of the Company's research and processing services are performed by CRISIL, parent company of Irevna U.K., and Coalition Development Limited.

**SUPPLEMENTAL INFORMATION**

## CRISIL IREVNA US LLC

### SCHEDULE OF OPERATING COSTS AND EXPENSES

For the Year Ended December 31, 2014

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Salaries	\$ 4,960,853
Incentive Expense	2,006,914
Insurance	425,697
Payroll Taxes	518,985
Professional Fees	384,399
Travel Expense	239,743
Rent	195,595
Employee Benefits	290,289
Recruitment	318,943
Telephone and Internet	63,091
Sales Commission Expense	86,131
Dues and Publications	14,974
Relocation Expense	64,654
Depreciation	29,502
Printing Expense	21,036
Postage and Mailing Expense	6,600
Business Promotion Expense	214,936
Utilities	11,750
Bank Fees	5,569
Other Miscellaneous Expense	2,872
Repairs and Maintenance	67,038
Bad Debt Expense	<u>131,812</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>\$ 10,061,383</u>

See independent auditors' report.