

**CRISIL IREVNA US LLC**

New York, New York

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

# 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, 2015, and the related statements 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, 2015, 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 28, 2016

## **FINANCIAL STATEMENTS**

# CRISIL IREVNA US LLC

BALANCE SHEET  
As of December 31, 2015

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## ASSETS

### CURRENT ASSETS

Cash and cash equivalents	\$ 2,732,100
Accounts receivable, net of allowance for doubtful accounts of \$142,795	9,903,520
Prepaid expenses and other current assets	369,869
Deferred tax assets	<u>265,000</u>
Total Current Assets	13,270,489

Property and Equipment, net	110,898
Restricted Cash	85,952
Goodwill	681,902
Investment in Argentina	11,908
Security Deposits	<u>25,288</u>

**TOTAL ASSETS** \$ 14,186,437

## LIABILITIES AND MEMBER'S EQUITY

### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 3,098,082
Unearned revenue	95,437
Income taxes payable	99,986
Due to related party	<u>9,817,075</u>
Total Current Liabilities	13,110,580

Other Liabilities	293,811
Deferred Tax Liabilities	<u>28,000</u>
Total Liabilities	13,432,391

### COMMITMENTS

**MEMBER'S EQUITY** 754,046

**TOTAL LIABILITIES AND MEMBER'S EQUITY** \$ 14,186,437

See notes to financial statements.

## CRISIL IREVNA US LLC

### STATEMENT OF INCOME AND MEMBER'S EQUITY For the Year Ended December 31, 2015

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<b>REPORT FEES</b>	\$ 52,205,227
<b>PROCESSING FEES</b>	<u>38,068,369</u>
Gross Profit	14,136,858
<b>OPERATING COSTS AND EXPENSES</b>	<u>13,321,927</u>
Income from Operations	<u>814,931</u>
<b>OTHER EXPENSE</b>	
Other expense	<u>9,852</u>
Total Other Expense	<u>9,852</u>
Income before Provision for Income Taxes	805,079
Provision for Income Taxes	<u>209,266</u>
<b>NET INCOME</b>	595,813
MEMBER'S EQUITY - Beginning of Year	<u>158,233</u>
<b>MEMBERS' EQUITY - END OF YEAR</b>	<u>\$ 754,046</u>

See notes to financial statements.

## CRISIL IREVNA US LLC

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2015

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#### CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$	595,813
Adjustments to reconcile net income to net cash flows from operating activities:		
Deferred tax benefit		(230,000)
Bad debt recovery		(86,235)
Depreciation		29,450
Changes in operating assets and liabilities		
Accounts receivable		(869,410)
Prepaid expenses and other current assets		(197,075)
Security deposits		1,234
Accounts payable and accrued liabilities		1,657,684
Unearned revenue		52,396
Income taxes payable		3,549
Due to related party		723,791
Other liabilities		<u>(26,133)</u>
Net Cash Flows from Operating Activities		<u>1,655,064</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES

Restricted cash		(85,952)
Capital expenditures		<u>(91,049)</u>
Net Cash Flows from Financing Activities		<u>(177,001)</u>

**Net Change in Cash and Cash Equivalents** 1,478,063

CASH AND CASH EQUIVALENTS - Beginning of Year 1,254,037

**CASH AND CASH EQUIVALENTS - End of Year** \$ 2,732,100

#### SUPPLEMENTAL DISCLOSURE

Cash paid during the year for income taxes	\$	<u>433,523</u>
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# CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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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 ("Coalition"), an entity under common control (see Note 4).

### *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.

### *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.

### *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.

### *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, 2015. There was no goodwill impairment recognized during the year ended December 31, 2015.

# CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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### *Property and Equipment*

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed when incurred whereas improvements and betterments are capitalized. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which are as follows:

	<u>Estimated Useful Lives</u>
Office Equipment	3 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	Shorter of estimated useful life or the remaining lease term.

### *Impairment of Long-Lived Assets*

The Company assesses the impairment of long-lived assets, including intangible assets subject to amortization, whenever events or changes in business circumstances indicate that the carrying value of an asset may not be recoverable. When such events occur, management determines whether there has been impairment by comparing the anticipated undiscounted net future cash flows to the related asset's carrying value. If impairment exists, the asset is written down to its estimated fair value.

### *Letter of Credit*

During December 2015, the Company entered into a letter of credit in the amount of \$85,952. This letter of credit replaces a cash security deposit for one of the Company's leases. Once issued, the existing security deposit will be refunded. This amount is carried as restricted cash on the balance sheet.

### *Deferred Lease Obligation*

Certain lease agreements provide for scheduled rent increases during the term of the lease and periods during which no rent, or a reduced rent, was payable. Rent is expensed on a straight-line basis over the initial lease term. Accordingly, the deferred lease obligation represents the cumulative amount charged to operations under these leases in excess of the amounts paid. This amount has been included as a component of other liabilities.

### *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."

# CRISIL IREVNA US LLC

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

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#### *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, 2015. The Company is no longer subject to the United States federal, state and local income tax examinations by tax authorities for years before 2012. The Company has evaluated its tax position for the year ended December 31, 2015, and does not expect a material adjustment.

#### *Advertising*

Advertising costs are expensed as incurred. Advertising costs charged to operations were \$4,056 for the year ended December 31, 2015 and are included as a component of business promotion expense.

#### *Subsequent Events*

The Company has evaluated events and transactions that occurred between January 1, 2016 and January 28, 2016, 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.

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### **NOTE 2 - Property and Equipment**

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The major categories of property and equipment at December 31, 2015 are summarized as follows:

Office Equipment	\$	175,482
Furniture and Fixtures		39,174
Leasehold Improvements		<u>14,991</u>
		229,647
Less Accumulated Depreciation and Amortization		<u>118,749</u>
Net Property and Equipment	\$	<u>110,898</u>

Depreciation expense charged to operations for the year ended December 31, 2015 was \$29,450.

# CRISIL IREVNA US LLC

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE 3 – Commitments and Contingencies

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#### *Litigation*

The Company is party to certain actions, which are routine and incidental to its business. In management's opinion, settlement of these actions will not have a material adverse effect on the Company's combined financial position, liquidity or results of operations.

#### *Operating Leases (Lessee)*

The Company leases office space under three non-cancelable operating leases which expire through October 2020. Rent expense charged to operations for office space was \$268,842 the year ended December 31, 2015.

Minimum future lease payments are as follows for the year ending December 31:

2016	\$	236,615
2017		166,532
2018		171,456
2019		171,904
2020		<u>143,253</u>
Total	\$	<u>889,760</u>

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### NOTE 4 - Related Party Transactions

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#### *Advances to Employees*

The Company advanced payroll to certain employees during the year ended December 31, 2015. These receivables are included in prepaid expenses and other current assets, are unsecured with no definitive repayment terms, and are non-interest bearing. At December 31, 2015, the Company has a receivable from employees for these advances of \$38,000.

#### *Due to Related Party*

For the year ended December 31, 2015, CRISIL billed the Company \$24,522,249 for research and processing services. The Company owed a total of \$5,980,817 as of December 31, 2015 for these services.

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

For the year ended December 31, 2015, Coalition billed the Company \$13,546,120 for research and processing services. The Company owed a total of \$3,836,258 as of December 31, 2015 to Coalition.

## CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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### NOTE 4 - Related Party Transactions (cont.)

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The service fees charged to Coalition are calculated according to a Management Service Agreement between the Company and Coalition. 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, 2015. This investment has been accounted for utilizing the cost method.

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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, 2015:

Current	
Federal	\$ 317,907
State and City	<u>121,359</u>
Total Current	<u>439,266</u>
Deferred	
Federal	(180,000)
State and City	<u>(50,000)</u>
Total Deferred	<u>(230,000)</u>
Total Provision for Income Taxes	<u>\$ 209,266</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, 2015:

Deferred Tax Assets	
Allowance for doubtful accounts	\$ 60,000
Provision for long-term incentive program	72,000
Deferred lease obligation	18,000
Accrued bonus unpaid	<u>115,000</u>
Total Current Deferred Tax Assets	<u>265,000</u>
Deferred Tax Assets (Liabilities)	
Provision for long-term incentive program	72,000
Goodwill amortization	(63,000)
Property and equipment depreciation	<u>(37,000)</u>
Total Non-current Deferred Tax (Liabilities)	<u>(28,000)</u>
Net Deferred Tax Assets	<u>\$ 237,000</u>

## CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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#### *Major Customers*

Report fees include sales of 23.2% and 12.8% to two customers during the year ended December 31, 2015. Receivables due from two customers were 18.7% and 12.0% of total accounts receivable at December 31, 2015.

#### *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.

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### **NOTE 7 - Long-Term Incentive Program**

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The Company is party to a long-term incentive program which provides incentives to certain individuals. The amount is calculated utilizing base salary and Coalition's revenue growth and net income. The balance at December 31, 2015 is \$367,104, will be paid 68% in 2016 and 32% in 2017 and is carried as a component of accounts payable and accrued liabilities and other liabilities.

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### **NOTE 8 - Employee Benefit Plan**

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The Company has a qualified profit-sharing plan with a 401(k) deferred compensation provision. All employees who are at least eighteen years of age are eligible to participate in the plan. The plan allows participants to defer any portion of their annual compensation, up to statutory limits. The Company matches employee contributions 100% up to a maximum of 4%. During 2015, the Company made matching contributions of \$153,624.

**SUPPLEMENTAL INFORMATION**

## CRISIL IREVNA US LLC

### SCHEDULE OF OPERATING COSTS AND EXPENSES For the Year Ended December 31, 2015

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Salaries	\$ 6,478,189
Incentive Expense	2,953,567
Insurance	749,321
Payroll Taxes	801,027
Professional Fees	637,755
Travel Expense	291,487
Rent	268,842
Employee Benefits	352,104
Recruitment	283,385
Telephone and Internet	70,521
Sales Commission Expense	90,507
Dues and Publications	10,339
Relocation Expense	64,573
Depreciation	29,450
Printing Expense	19,076
Postage and Mailing Expense	5,568
Business Promotion Expense	162,342
Contributions	10,000
Utilities	5,646
Bank Fees	4,214
Other Miscellaneous Expense	74,054
Repairs and Maintenance	9,104
Software Expense	37,091
Bad Debt Recovery	<u>(86,235)</u>
 TOTAL OPERATING COSTS AND EXPENSES	 \$ <u>13,321,927</u>

See independent auditors' report.