FitchRatings

Saudi Arabia Transparency Report

June 2020

Saudi Arabia Transparency Report

This Transparency Report is published in accordance with Article 22 of the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 3-58-2014 Dated 17/1/1436H Corresponding to 10/11/2014G Based on the Capital Market Law Issued by Royal Decree No. M/30 dated 2/6/1424H. It provides information on the operations of Fitch Ratings in the Kingdom of Saudi Arabia for the fiscal year ending December 2019.

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1. Compliance with Credit Rating Agencies Regulations and Other Relevant Laws and Regulations

Fitch Ratings has adopted a set of bulletins, policies and procedures (collectively, the “Operational Procedures”) in order to achieve the regulatory mandate based on the principles of objectivity, integrity, transparency and independence. These Operational Procedures, as codified in the Code of Conduct & Ethics, the Rating Process Manual, the Business Relationship Management Process Manual as well as numerous other bulletins, policies and procedures address, among other issues:

- The segregation of commercial and analytical activities, and the determination of credit ratings,
- Governance relating to criteria, methodologies, and models, and
- File maintenance and recordkeeping associated with the above mentioned activities.

Fitch Ratings also has Operational Procedures in place for (i) the recruitment, retention, training and promotion of its employees, (ii) its information technology and security operations and (iii) inter-company activities with affiliates. The Operational Procedures are designed to ensure that Fitch Ratings complies with the various rules and regulations to which it is subject, including, but not limited to, the regulations in the Kingdom of Saudi Arabia.

To support and supplement the Operational Procedures, Fitch Ratings adopted a second set of functions, policies and procedures (the “Internal Quality Control System”). The Internal Quality Control System covers all aspects of the Company’s operations pertaining to the determination of credit ratings. Details as to the different components of the Internal Quality Control System are presented in section 3 of this report.

2. Legal Structure and Ownership

Legal Structure

Fitch Ratings operates in the Kingdom of Saudi Arabia through its branch of Fitch Australia Pty Ltd, a company established under Australia’s Corporations Act 2001(Cth).

Ownership

The only entity to hold a material stake in Fitch Australia Pty Ltd is Fitch Ratings Ltd (“FRL”). FRL in turn is 100% owned by Fitch Ratings, Inc., a US company (“FRI”). FRI is 100% owned by Fitch Group, Inc., a US holding company, which in turn is 100% owned by the Hearst Corporation of the US.

The Hearst Corporation is a privately held diversified media and information company with headquarters in the US. Its major interests include ownership of magazines, newspapers, cable networks, television broadcasting, internet and market services businesses, TV production, newspaper features distribution, and real estate. It maintains significant holdings in automotive and medical/pharmaceutical business information companies. It retains its ownership interest in the Fitch Group, through Hearst Ratings II, Inc., a single purpose subsidiary.

3. Internal Control Mechanisms Ensuring the Quality of Credit Rating Activities

1. Introduction

This section describes Fitch Ratings, Inc.'s ("FRI") and Fitch Ratings Ltd's ("FRL") internal controls related to the issuance of Credit Ratings (including any of FRI's and FRL's subsidiaries that issue credit ratings under the trade name of Fitch Ratings). The definition of Credit Ratings, along with both other capitalized terms that may be used in this document and other material information pertaining to Credit Ratings, are set forth on Fitch Ratings' publicly available website at https://www.fitchratings.com/site/definitions.

2. Board Oversight

The boards of directors of FRI (the "FRI Board") and FRL (the "FRL Board") (collectively, the "Boards"), act as the parent entities for all Fitch Ratings' companies undertaking credit rating activity. Each of the Boards performs its oversight activities on behalf of Fitch Ratings globally. In addition, where necessary pursuant to applicable local law, the local boards of directors of other Fitch Ratings credit rating subsidiaries may perform additional oversight activities.

Among other matters, the Boards are responsible for the oversight and management of FRI or FRL, as the case may be, in accordance with their fiduciary responsibilities and standards established by the laws of the jurisdictions in which FRI and FRL are organized. The Boards have delegated responsibility for the day-to-day running of FRI and FRL to a senior management team with sufficient skill and experience to ensure the sound and prudent management of FRI and FRL.

The Boards oversee, among other matters:

a) The process for the issuance of Credit Ratings;
b) The publishing of new and materially amended criteria and methodologies pertaining to determining Credit Ratings;
c) The implementation of certain new and materially amended policies;
d) The program designed to manage conflicts of interest;
e) The maintenance of internal controls related to determining Credit Ratings;
f) The compensation and promotion processes; and
g) The compliance and governance processes, including the effectiveness of the Criteria Review and Approval Group ("CRAG").

3. Policy Framework

All Fitch Ratings policies and procedures reflect Fitch Ratings' Code of Conduct & Ethics, which is based upon the global best practices outlined in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, and, with respect to any given jurisdiction in which Fitch Ratings conducts Credit Rating activities, are consistent with all laws, rules and regulations applicable to Fitch Ratings in such jurisdiction.

During the policy development or amendment stage, input is gathered from relevant constituents within Fitch Ratings including, where appropriate, the senior management of the Global Analytical Groups, the Credit Policy Group ("CPG"), the Legal Group, Ratings Operations (including Regulatory Affairs, Policies and Procedures), the

Business and Relationship Management Group ("BRM"), the Compliance Department ("Compliance"), and any others as may be appropriate. Once a new or amended policy is finalized, it is subject to review and approval in accordance with Fitch Ratings' internal protocols. Certain of Fitch Ratings' policies are also subject to review by the Boards.

4. Three Lines of Defense

Fitch Ratings' internal control structure is designed to ensure that Fitch Ratings employees comply with Fitch Ratings' policies and procedures relating to or associated with the issuance of Credit Ratings. This control structure consists of three lines of defense, and is ultimately overseen by the Boards:

a) First Line of Defense: the Global Analytical Groups, BRM and Ratings Operations (see below in 5);
b) Second Line of Defense: CPG, CRAG, the Compliance Department, and Technology and Information Risk (see below in 6); and
c) Third Line of Defense: Internal Audit (see below in 7) and external or outsourced third-party audits, as needed.

Each of the three lines of defense is further supported by the Information Technology group ("IT") (see below in 8).

5. First Line of Defense

The overall responsibility to ensure that Fitch Ratings' policies and procedures relating to or associated with the issuance of Credit Ratings are followed, rests with the senior managers and all members of the first line of defense.

Global Analytical Group

The senior managers of the Global Analytical Group are: (i) the Senior Global Rating Group Heads; (ii) the global group heads, each covering the analytical groups; and (iii) the regional group heads covering certain geographical areas. The Senior Global Rating Group Heads report to the Global Analytical Head.

Business Relationship Management

Fitch Ratings maintains a separate BRM Group which carries out ratings-related commercial and marketing activities independently of the Global Analytical Groups. This separation helps ensure that analytical staff are not influenced by business considerations. All discussions with an issuer, originator, arranger, sponsor, servicer or any other party that interacts with Fitch Ratings on behalf of the issuer concerning rating fees, fee arrangements or billings are handled by BRM, finance and accounting staff, members of the legal department, or others, outside the Global Analytical Groups, who are employed by Fitch Ratings to handle billing or fee collection matters. BRM staff also follow policies and procedures designed to ensure compliance with credit rating agency regulation, as well as anti-money laundering laws, international sanctions and anti-bribery and corruption laws.

Ratings Operations

Ratings Operations is responsible for developing, implementing and monitoring procedures and controls with respect to the Credit Rating process in response to regulation, Fitch Ratings policy, and senior management guidance. Ratings Operations works with members of the Global Analytical Groups, BRM, Compliance, CPG, Human Resources, Legal and IT to identify risks and implement procedural, training and/or technical solutions in support of Fitch Ratings' control framework and analysts' compliance with the firm's policies and procedures. Ratings Operations also produces management reports and analysis to support the Global Analytical Groups' compliance with the various procedures outlined in the Ratings Process Manual.

6. Second Line of Defense

Fitch Ratings' core control functions of CPG, the CRAG, Compliance, and Technology and Information Risk comprise the Second Line of Defense. These functions operate at a global, rather than local level, with staff based in Fitch Ratings' New York, Chicago, London, Hong Kong, Singapore and certain EU offices providing support and oversight to all Fitch Ratings offices globally.

Credit Policy Group

CPG is independent of the Global Analytical Groups. CPG is led by the Chief Credit Officer and comprises group credit officers, regional credit officers, (collectively, credit officers), an Evaluating Committee Robustness function and 'Fitch Wire' (which provides intra-day commentary on topical credit issues). The Chief Credit Officer reports to the Chief Risk Officer of Fitch Group ("CRO"). Credit officers leverage participation in various committees and discussions to ensure new or developing credit issues are shared and addressed across Analytical Groups. CPG therefore operates in an oversight capacity with respect to Fitch Ratings' analytical work. In fulfilling these responsibilities, CPG conducts the following activities, among others:

- Aggregates risks across ratings by focusing on risk identification and coordination across sectors and regions;
- Conducts reviews for assessing ratings performance and ratings comparability;
- Links rating trends with current fundamentals, macro-economic developments and analytically defined expectations by industry or sector;
- Monitors that Analytical Groups are addressing new developments with an appropriate sense of urgency and rigor, and reports on and makes recommendations in certain cases;
- Develops and nominates areas of topical research that can be used to frame credit priorities or identify new material credit market developments
- Reviews and reports on analytical exceptions, incidents and complaints; and
- Carries out reviews of committee papers as part of the Evaluating Committee Robustness program.

Criteria Review and Approval Group

CRAG is independent of the Global Analytical Groups, is led by the Chief Criteria Officer and comprises the head of model validation, manager of ratings performance analytics and criteria officers. The Chief Criteria Officer reports to the CRO of Fitch Group. CRAG oversees Fitch Ratings' ratings criteria and related models.

In fulfilling its oversight obligations, CRAG conducts the following activities, among others:

- Oversees the rating criteria (and related models and key assumptions) review and approval process ;
- Conducts regular transition and default studies to monitor the performance of Fitch Ratings' ratings over time and across analytical sectors and geographical regions;
- Utilizes a database of criteria and models to measure compliance with the requirements to review such criteria and models;

- Reviews criteria back-testing and model validation; and
- Maintains a log of analytical errors.

In addition to oversight responsibilities, CPG and CRAG contribute to the development of the 'Fitch Credit Academy' which is a training program providing a formal structure to develop and assess the knowledge and skills analysts need to be effective when evaluating credit.

The Compliance Department

Compliance is responsible for advising on, supporting and overseeing compliance with the various laws, rules and regulations governing the issuance of Credit Ratings ("CRA Regulation") applicable in the jurisdictions in which Fitch Ratings operates, along with further provisions set forth in Fitch Ratings' Code of Conduct & Ethics and related policies regarding complaints, conflicts of interest and confidentiality (collectively, "Conduct Policies").

Compliance supports Fitch Ratings' compliance with CRA Regulation and the Conduct Policies on an on-going basis through the functions described below, as well as by analyzing information obtained via Fitch Ratings' Ethics Hotline and internal incident reporting systems.

Compliance is led by the Global Chief Compliance Officer (the "CCO"), who reports jointly into the CRO, and the Independent Directors of the Boards (the "Independent Directors"). In addition to its New York and London-based staff, Compliance has local Compliance Officers based in Fitch Ratings' Chicago office, Brazil, Chile, Colombia, Germany, Hong Kong, Japan, Mexico, Russia, Singapore, and Spain. The CCO periodically reports to the Independent Directors and the CRO on the work of the Compliance Department, the compliance workplan, and certain other Compliance processes and controls including those undertaken by the Department's four core teams, which are as follows:

Regulatory Compliance: Regulatory Compliance is responsible for maintaining Fitch Ratings' license or registration in all jurisdictions where Fitch Ratings is licensed or registered as a credit rating agency. This includes making regular (e.g. monthly, annual, etc.) reporting and filings; ad hoc reporting; and, any issue or event-driven public or regulatory disclosures. This team manages all regulatory exams and other requests by regulatory authorities or agencies for documents and information. Further, the team tracks and monitors Fitch Ratings' completion of agreed management actions arising from regulatory exams and recommendations. The team regularly liaises with regulators through in-person visits or conference calls. Regulatory Compliance is also responsible for oversight of the processes regarding the handling and resolution of conduct-related complaints, and for undertaking certain conduct-related internal investigations. Regulatory Compliance also conducts outreach to Fitch Ratings' offices without a local Compliance Officer through either on-site visits or teleconferences. Regulatory Compliance is structured by geographic region covering the Americas, APAC and EMEA. Each region is led by a Regional Head of Compliance.

Personal Conflicts Monitoring: The Personal Conflicts Monitoring team ("PCM") administers Fitch Ratings' Global Securities Trading and Conflicts of Interest Policy ("Bulletin 13"). Bulletin 13 is designed to minimize actual and potential conflicts that may arise from employees' personal trading activity, outside interests and external relationships. The bulletin also addresses the gift policy and guidance in relation to business events and entertainment. In order to administer the program, PCM utilizes a third party compliance surveillance system which is used to monitor employee trade activity, administer certifications and manage employee disclosures. Employees must complete an initial compliance certification prior to their start date and attest on an ongoing basis during the annual compliance certification to their securities accounts, holdings and other potential conflicts. Further, PCM is responsible for managing employee's requests for exceptions and/or the need to implement recusals related to potential conflicts related to Bulletin 13.

Compliance Testing and Monitoring: The Compliance Testing and Monitoring team ("CTM") conducts testing throughout Fitch Ratings to assess compliance with policies and procedures, and the effectiveness of internal controls implemented with respect to its Credit Rating and related activities. CTM develops annually a risk-based compliance testing plan, which details the testing schedule for the following calendar year. The annual compliance testing plan prioritizes the compliance testing universe using a risk-based approach that considers, among other factors, outcomes of the compliance risk assessment, prior compliance testing, regulatory findings, and other identified issues or trends. Findings from compliance testing are documented in written reports, which are distributed to management and include details of corrective action plans. CTM also monitors the ageing of corrective action plans and validates their closure. Additionally, CTM conducts monitoring of email communications sent or received by Fitch Ratings employees. Emails are flagged by dedicated software when the content of the email indicates a potential violation of policies and procedures. All flagged emails are reviewed by CTM to determine whether a violation occurred and, where appropriate, follow up investigation and remedial action is carried out.

Compliance Policies and Internal Communications: The Compliance Policies and Internal Communications team ("Compliance Communications") is responsible for managing Fitch Ratings' policy, procedure and internal communications framework globally. It manages the process by which certain policies or procedures are kept current and maintained, doing so in consultation with key stakeholders. Compliance Communications prepares and presents training and other Compliance communications for employees within Fitch Group, and coordinates and manages other Compliance communications to the firm including information housed on the intranet and communicated through webex, email and in person. Compliance Communications works across functions within Compliance to identify current objectives, requirements and trends and to disseminate relevant information both within the Compliance team and to the broader employee base where appropriate.

Technology and Information Risk

Fitch has a technology risk management framework which defines the actions that Fitch IT perform and the policies that staff must abide by in order to protect the confidentiality, integrity and availability of Fitch's electronic information and information systems. This framework is based upon CIS Critical Security Controls version 7.1 which refers to a recommended set of 20 required IT security controls designed to detect and prevent attacks and other threats in the IT environment. The 20 controls are monitored and discussed during the monthly Technology Risk Committee meeting, which provides oversight and governance over the Technology Risk program at Fitch.

In late 2019, Fitch established and hired for the position of Chief Information Security Officer (CISO). The CISO's mandate is to develop and manage a Technology Risk program, including, but not limited to, vulnerability management, metrics and reporting, entitlements management and governance, application security, and vendor technology risk management.

The CISO at Fitch Group reports to the CRO, and oversees information security for all of Fitch Group's business units. The CISO, is responsible for forming the strategy for and leading the operational implementation of a company-wide information security program. The CISO works in partnership with senior members of technology, business, legal, and compliance teams.

7. Internal Audit (Third Line of Defense)

Internal Audit ("IA") provides independent and objective assurance as to the adequacy and effectiveness of Fitch Ratings' risk framework, controls and governance processes. The Head of IA reports to the Independent Directors and the CRO. At least annually, the Head of IA submits to the Independent Directors and the CRO an internal audit plan for review and approval.

The plan consists of the IA work schedule for the upcoming financial year. It is developed using a risk-based methodology and includes input from the Independent Directors, the CRO and other members of Fitch Ratings' senior management. On an ongoing basis, thereafter, the Head of IA reviews and adjusts the plan, as necessary, in response to changes in Fitch Ratings' business, risks, operations, programs, systems and controls. Any significant deviation from the approved internal audit plan is communicated to the Independent Directors and the CRO.

After the conclusion of each internal audit engagement, IA issues and distributes a written report to relevant management and the Board. The report details audit findings and recommendations together with management's corrective actions and their timeframes for completion. Subsequently, IA is responsible for monitoring and approving completion of corrective actions.

The Head of IA reports quarterly to the Independent Directors and the CRO on the progress and performance regarding the audit plan.

8. Global IT Structure and Systems

Fitch IT manages the technology infrastructure, application development and first line IT information security for Fitch Ratings globally. Fitch IT also undertakes the following:

- Manages access control for files, folders and applications in compliance with confidentiality and conflict of interest policies;
- Manages data security in compliance with confidentiality policies;
- Maintains and monitors infrastructure including desktops, networks and data centres required for ongoing operations;
- Manages disaster recovery plans and performs quarterly system recovery tests;
- Develops and maintains custom applications required to support core rating activities, such as workflow systems, analysis and surveillance systems, and publishing and document management systems.

4. Information on Allocation of Staff

The table below details the total number of analytical staff employed by Fitch Ratings globally who worked on new credit ratings and credit rating reviews (participated in related rating committee meetings) for rated entities based in the Kingdom of Saudi Arabia.

Analytical Staff – New Credit Ratings and Credit Rating Reviews, 2019	
Primary Analysts	9

The total number of analytical staff employed by Fitch Ratings globally responsible for methodology and model management appraisal as of 31 December 2019 is detailed in the table below.

Analytical Staff – Methodology and Model Appraisal, 2019	
Analytical Staff Responsible for Methodology and Model Appraisal[1]	45

The senior management of Fitch Ratings globally is represented by the following 7 individuals:

- Ian Linnell - President, Fitch Ratings;
- Karen Skinner - Chief Operating Officer;
- Jeremy Carter - Chief Credit Officer;
- Brett Hemsley - Global Analytical Head;
- Mark Oline - Head of Business & Relationship Management;
- Peter Patrino - Chief Criteria Officer;
- Bruce Legorburu – Global Chief Compliance Officer.

5. Record Keeping Policy

Fitch has in place global file maintenance and record-keeping policies and practices that are designed, collectively, to ensure that it maintains adequate records in accordance with all applicable laws and regulations including, but not limited to, the regulations in the Kingdom of Saudi Arabia. The main policies that are applicable to Fitch Ratings' rating-related records – the File Maintenance and Recordkeeping Policy for Analytical Groups and Core Operations, the File Maintenance for Analytical Groups, and the file maintenance and recordkeeping requirements in the BRM Process Manual.

[1] The number of staff includes the personnel with dedicated functions for the validation, review and approval of methodology as well as to the review and validation of models, and model development. This number does not include personnel in the analytical team who also have other responsibilities (typically including ratings work and research) who provide support to methodology development, model testing, training and other model operation related matters on ad hoc basis.

Additional details regarding the exact content of the information that must be included in certain documents referenced in the File Maintenance for Analytical Groups – such as rating committee minutes – are contained in internal manuals that provide detailed procedural guidance on the rating process. Other non-analytical groups, such as the Accounts Group, maintain separate internal recordkeeping policies.

Collectively, these policies and procedures require that, among other things, Fitch maintains records for a period of at least five years that cover:

(a) documents including internal records and working papers used or created in support of determining and assigning any type of credit rating, assessment, opinion, score or other Fitch credit product;

(b) electronic or written communications received or sent by Fitch and its employees concerning fee negotiations;

(c) records of the solicited and unsolicited status of each credit rating;

(d) records documenting the established procedures and methodologies used by Fitch to determine credit ratings;

(e) records of the procedures and measures implemented by Fitch to comply with any applicable regulation; and

(f) external and internal communications, including emails received and sent by Fitch and its employees that relates to initiating determining, maintaining, monitoring, changing or withdrawing a credit rating.

6. Outcome of the Annual Internal Review of the Compliance Function

Internal Audit conducted its annual audit of the Global Compliance Group. The audit reviewed Compliance's processes in ensuring adherence to the EU's Endorsement regime for credit rating agencies. The audit identified control issues requiring management actions..

7. Information on Revenue

Fitch Australia Pty Ltd's business activities are based on the provision of independent analysis and rating operations regarding a variety of risks in the financial markets. Fitch Australia Pty Ltd does not provide any ancillary services. Thus, all revenue received by Fitch Australia Pty Ltd, including by its branch in the Kingdom of Saudi Arabia is derived from rating activities.

The table below provides, for the branch of Fitch Australia Pty Ltd in the Kingdom of Saudi Arabia, the total revenue during 12-month fiscal period ended 31 December 2019.

Total Revenue - 12 month period ending 31 December 2019	
Saudi Arabia Branch of Fitch Australia Pty Ltd (SAR, 000)	3,032

8. Governance Statement

The Boards operate according to the Board Oversight Procedures to ensure that each respective board has oversight of all Fitch Ratings policies and procedures related to the (i) creation, maintenance and enforcement of policies and procedures for determining credit ratings, (ii) creation, maintenance and enforcement of policies and procedures for addressing, managing and disclosing conflicts of interest, (iii) effectiveness of the internal control system with respect to policies and procedures for determining credit ratings and (iv) compensation and promotion policies and practices of Fitch Ratings.

The Board Oversight Procedures cover all Fitch Ratings' globally applicable policies and procedures, and therefore the board-level reviews set forth within the relevant procedures are conducted on behalf of all of Fitch Ratings, i.e. all the Fitch companies engaged in its ratings business, including the branch of Fitch Australia in the Kingdom of Saudi Arabia.

The boards meet on a quarterly basis and, among other items, receive regular reporting from senior staff members. All reports are global in nature, therefore related individuals will report on topics and issues which might arise in Australia and they would also report on items arising in Riyadh, if necessary.

A schedule for implementation of the board procedures has also been adopted in order to ensure that all board procedures are reviewed in the course of each calendar year. This schedule is reviewed annually.

The Saudi Arabia Branch of Fitch Ratings Pty Ltd had two full-time employees as of 31 December 2019, including:

- The General Manager (Registered Person), Saoud Sulaiman Ibrahim Al-Behairi, reporting to the Managing Director of Middle East and Sub-Saharan Africa, Jay Leitner (based in Dubai, UAE); and
- The Office Administrator, Noura Fahad Abdulrahman Al-Mohaimeed, reporting to the General Manager of the Saudi Arabia Branch.

The Compliance Officer (Registered Person) duties are performed by the Head of Compliance, EMEA, Stuart Charles Jennings, who is based in London and reports to the CCO who is also based in London.

9. Policies for Distributing Credit Ratings, Reports and Updates

Fitch Ratings' policies on distributing credit ratings, reports and updates are set forth in the Code of Conduct & Ethics and in the Rating Process Manual (the "RPM"). All Fitch Ratings' public ratings and rating outlooks, and related rating actions and opinions, including withdrawal of a rating are published free of charge on a non-selective basis on its free public website www.fitchratings.com. As appropriate or as is otherwise required

Fitch Ratings simultaneously distributes an announcement of the rating or rating action, together with any related commentary including rating outlooks, through wire services or other media outlets.

10. Material Changes to Systems, Resources and Procedures

The table below details material changes to Fitch Ratings' bulletins, policies and procedures in 2019.

Bulletin	Description	Period
Bulletin 02A	***Bulletin 02A: BRM Process Manual.*** The BRM Process Manual ("BRM PM") sets forth minimum policy and procedural requirements for Business and Relationship Management (BRM) employees globally. The BRM PM was updated in June 2019. The majority of the changes reflect management's actions to address findings and recommendations made by Fitch Ratings' Internal Audit Group and Compliance Department. The existing section on the Development, Approval and Maintenance of Fee Schedules was amended to clarify ESMA-required reporting and disclosure processes. Additionally, four new sections were added to the BRM PM to: (i) outline the procedure employed for ongoing sanctions monitoring of Fitch Ratings' entire rated portfolio; (ii) describe the process taken to ensure Fee Schedules listed in Salesforce and those listed on BRM's Fee Schedule inventory are consistent; (iii) detail steps to review executed Fee Agreements generated via CLM against metrics including: proper validation, correct date, counterparty interactions, and bespoke Terms & Conditions freeform text additions; and, (iv) list all trainings (and respective recertification cycles) that are required to be completed by all BRM staff.	2019 Q2
Bulletin 10A	***Bulletin 10A: Firewall Policy.*** *Bulletin 10A: Firewall Policy* is a supplement to *Bulletin 10: Firewall Policy*, which sets forth the framework for managing shareholder / director / affiliate conflicts by imposing prohibitions and disclosure requirements on the issuance or maintenance of credit ratings on certain affiliated entities. The tables included in *Bulletin 10A* set forth when a rating may be issued, provided a disclosure is made, and when a rating may not be issued at all. Bulletin 10A was updated to add and remove entity names.	2019 Q1-Q4
Bulletin 13 Annex	***Bulletin 13: Global Securities Trading and Conflicts of Interest Annexes.*** The annexes were updated to reflect the addition of Group Investment Restrictions for newly created groups: Strategic Innovation, Analytics and Research, as well as, Structured Finance and Public Finance Operations. In addition, Group Investment Restriction were added to the FG Marketing team seated at the Hearst Tower on the 35th floor NYC because BRM staff moved onto the floor in August 2019.	2019 Q4
Bulletin 14	***Bulletin 14: Rating Solicitation and Participation Disclosure*** sets forth disclosure requirements regarding solicitation status and rated entity participation in the rating process. The policy was modified to clarify that the prohibition on unsolicited ratings applies only to Mexican national scale ratings. The previous version of the policy stated that such prohibitions applied to Mexican ratings, without specifying that it applies to national ratings only.	2019 Q2

Bulletin	Description	Period
Bulletin 22	***Bulletin 22: Senior Global, Global & Regional Group Heads.*** The objective of Bulletin 22 is to identify the individuals in the management roles referenced in the Rating Process Manual and other Bulletins. The version was updated to reflect changes made to senior approvers in Global Infrastructure, Public Finance and Financial Institutions.	2019 Q1
Bulletin 25	***Bulletin 25: Complaint Handling*** Below is a summary of the most significant changes made to Bulletin 25. 1.Complaints may now be logged into the Complaint Log by Senior Directors ("SD") (in addition to Managing Directors ("MD"), as has previously been the case). 2.Business and Relationship Management ("BRM") matters have now been removed from the Complaint Handling Policy ("Policy"). 3.Commercial disputes are now excluded from the Policy. 4.The BRM Log is now excluded from the Policy.The Complaint Log now comprises Analytical Matters, Conduct Matters and the Confidential Log only. 5.Two new roles were established. These are: a."Complaint Manager" means any SD or MD to whom any employee (including, without limitation, in BRM) reports a communication from an external party that may constitute a Complaint. In groups or departments where the titles "Managing Director" or "Senior Director" are not used, the Complaint Manager is the senior most staff member of that group or department. b."Investigator" means the member of the Credit Policy Group or Compliance who ultimately investigates the Complaint. 6.The Complaint Log workflow was modified and clarified. (see Section 3) 7.Clarifies that employees who receive verbal complaints must affirmatively request a written description of the Complaint. 8.Clarifies the difference between Confidential Complaints due to the confidentiality of the complainant and confidential complaints designated as such by the Chief Credit Officer, the Chief Compliance Officer or Legal Counsel. New Version	2019 Q3
Bulletin 32	***Bulletin 32: Criteria Procedures Manual (CPM)*** Bulletin 32 establishes guidelines for the management and development of criteria and models used in assigning international and national credit ratings to entities and debt instruments. This policy has been modified to; (i) introduce Model Findings and their reporting requirements; (ii) eliminate Minor Errors; and (iii) eliminate "Significant Errors" and replace "Significant Errors" with "Errors".	2019 Q1
Bulletin 37A	***Bulletin 37A: Evaluating Committee Robustness.*** The purpose of this Bulletin is to establish the 'Evaluating Committee Robustness' procedures for assessing the analytical quality of rating committee packages and evaluating the consistency of criteria application as well as the clarity and adequacy of documentation of ratings conclusions. The Bulletin was modified in several ways including (i) updates to the "Robustness Questions" framework (Section 4.5); (ii) modification to Post Examination Activities (Section 4.6); (iii) change to the "ECR Review Prioritization Process" (Section 5.1); (iv) elimination of Appendix A – ECR Recommendation Classification Guidance Table; (v) updated Appendix B – Suggested Template for ECR Review Report; (vi) updated Appendix C – ECR Review Follow-Up Report Template Example.	2019 Q2

Bulletin	Description	Period
Bulletin 41	***Bulletin 41: Global Confidentiality Policy*** Bulletin 41 sets forth Fitch Ratings' policy regarding the protection and permissible dissemination of Confidential Information, including Material Non-Public Information. Bulletin 41 was modified to satisfy a Compliance Testing Finding regarding the acceptable use of large file transfer applications, such as BigMail. This policy was specifically modified to incorporate the Information Technology Acceptable Use Policy by reference.	2019 Q3

11. Audited Financial Statements and Material Information Concerning Financial Position

The financial statements of the Saudi Arabia branch of Fitch Australia Pty Ltd for the year ended 31 December 2019 (together with the independent auditor's report) is attached.

The information on the revenue of the branch of Fitch Australia Pty Ltd in the Kingdom of Saudi Arabia for 12 months period ending 31 December 2019 is presented in section 7 of this report.

Fitch Australia Pty Ltd
(A Branch of a Foreign Limited Liability Company)
Financial Statements
For the year ended 31 December 2019
Together with the
Independent Auditor's Report

Fitch Australia Pty Ltd
(A Branch of a Foreign Limited Liability Company)
Financial Statements
For the year ended 31 December 2019 together with the Independent Auditor's Report

PKF

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE HEAD OFFICE
FITCH AUSTRALIA PTY LTD
(A BRANCH OF A FOREIGN LIMITED LIABILITY COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Fitch Australia Pty Ltd (the "Branch"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income or loss, statement of changes in head office equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Branch's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch'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 management either intends to liquidate the Branch or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e. the Head Office, are responsible for overseeing the Branch's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE HEAD OFFICE
FITCH AUSTRALIA PTY LTD
(A BRANCH OF A FOREIGN LIMITED LIABILITY COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also;

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Al-Bassam & Co.
Riyadh, Kingdom of Saudi Arabia

Sultan Ahmed AlShubaily
Certified Public Accountant
License No. 600

البسام وشركاؤه
محاسبون قانونيون
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

21 Ramadhan 1441H
14 May 2020G

FITCH AUSTRALIA PTY LTD
(A Branch of a Foreign Limited Liability Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(All amounts are in Saudi Riyal unless otherwise stated)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Right-of-use assets	8	409,484	-
Total non-current assets		409,484	-
Current assets			
Trade receivables, net	9	7,427,192	693,433
Due from a related party	10	-	51,616
Prepayments and other current assets		26,000	-
Cash at banks		3,905,521	58,131
Total current assets		11,358,713	803,180
TOTAL ASSETS		11,768,197	803,180
HEAD OFFICE EQUITY AND LIABILITIES			
HEAD OFFICE EQUITY			
Capital contributed from head office		500,000	500,000
Accumulated losses / retained earning		(41,419)	23,324
Actuarial loss		(2,149)	(2,149)
TOTAL HEAD OFFICE EQUITY		456,432	521,175
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	124,942	-
Employees' post-employment benefits	11	73,049	37,574
Total non-current liabilities		197,991	37,574
Current liabilities			
Accruals and other payables	12	391,767	229,744
Deferred income	13	1,148,392	-
Due to a related party	10	9,079,363	-
Lease liabilities	8	294,236	-
Income tax payable	14	200,016	14,687
Total current liabilities		11,113,774	244,431
TOTAL LIABILITIES		11,311,765	282,005
TOTAL EQUITY AND LIABILITIES		11,768,197	803,180

The accompanying notes 1 to 19 forms an integral part of these financial statements.

FITCH AUSTRALIA PTY LTD
(A Branch of a Foreign Limited Liability Company)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are in Saudi Riyal unless otherwise stated)

	Note	2019	1 November 2017 to 31 December 2018
Revenue		**11,738,873**	660,413
Operating expenses	**15**	**(2,145,349)**	(2,046,040)
Gross profit / (loss)		**9,593,524**	(1,385,627)
Impairment loss on trade receivables	**9.1**	**(576,953)**	-
Other (expense) / income	**10**	**(8,866,174)**	1,423,638
Operating profit		**150,397**	38,011
Finance cost	**8**	**(14,688)**	-
Profit before tax		**135,709**	38,011
Income tax	**14**	**(200,452)**	(14,687)
Net (loss) / profit for the year / period		**(64,743)**	23,324

The accompanying notes 1 to 19 forms an integral part of these financial statements.

FITCH AUSTRALIA PTY LTD
(A Branch of a Foreign Limited Liability Company)
STATEMENT OF COMPREHENSIVE INCOME OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are in Saudi Riyal unless otherwise stated)

	Note	**2019**	1 NOVEMBER 2017 TO 31 DECEMBER 2018
Net (loss) / profit for the year / period		**(64,743)**	23,324
Other comprehensive loss			
Actuarial loss for the year / period	**11**	**-**	(2,149)
Total other comprehensive loss		**-**	(2,149)
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(64,743)**	21,175

The accompanying notes 1 to 19 forms an integral part of these financial statements.

FITCH AUSTRALIA PTY LTD
(A Branch of a Foreign Limited Liability Company)
STATEMENT OF CHANGES IN HEAD OFFICE EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are in Saudi Riyal unless otherwise stated)

	Capital Contributed from Head Office	**Accumulated losses / retained earning**	**Actuarial loss on employees' post-employment benefits**	**Total equity**
Funds from head office	500,000	-	-	500,000
Profit for the period	-	23,324	-	23,324
Other comprehensive loss for the period	-	-	(2,149)	(2,149)
Balance as at 31 December 2018	**500,000**	**23,324**	**(2,149)**	**521,175**
Loss for the year	-	(64,743)	-	(64,743)
Balance as at 31 December 2019	**500,000**	**(41,419)**	**(2,149)**	**456,432**

The accompanying notes 1 to 19 forms an integral part of these financial statements.

FITCH AUSTRALIA PTY LTD
(A Branch of a Foreign Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are in Saudi Riyal unless otherwise stated)

	Note	2019	1 NOVEMBER 2017 TO 31 DECEMBER 2018
Cash flows from operating activities			
Profit before tax		**135,709**	38,011
Adjustments for:			
Depreciation for right to use assets	**8**	**289,048**	-
Finance cost	**8**	**14,688**	-
Impairment loss on trade receivables	**9**	**576,953**	-
Provision for Employees' post-employment benefits	**11**	**35,475**	35,425
		1,051,873	73,436
Movement in working capital			
Trade receivables		**(7,310,712)**	(693,433)
Prepayments and other current assets		**(26,000)**	-
Due from a related party		**51,616**	(51,616)
Deferred income		**1,148,392**	-
Accruals and other payables		**162,023**	229,744
Due to a related party		**9,079,363**	-
Tax paid	**14**	**(15,123)**	-
Net cash generated from / (used in) operating activities		**4,141,432**	(441,869)
Cash flows from financing activities			
Funds from head office		-	500,000
Lease payment	**8**	**(294,042)**	-
Net cash (used in) / generated from financing activities		**(294,042)**	500,000
Net change in cash at bank		**3,847,390**	58,131
Cash at bank at the beginning of the year		**58,131**	-
Cash at bank at end of the year		**3,905,521**	58,131

The accompanying notes 1 to 19 forms an integral part of these financial statements.

1. GENERAL INFORMATION

Fitch Australia Ptv Ltd is A Branch Of A Foreign Limited Liability Company ("The Branch") was established in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 1010612747 dated 12 Safar 1439H corresponding to 1 November 2017, under SAGIA license no. 10211380976497 dated 10 Ramadan 1438H corresponding to 5 June 2017.

The main activities of the Branch are to provide credit ratings.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2. Basis of measurement

The financial statements have been prepared under the historical cost method, unless otherwise stated.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals, which is the functional and presentation currency of the Branch. All figures have been rounded off to the nearest Saudi Riyal (SR) unless otherwise mentioned.

4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Effective 1 January 2019 the Branch has adopted a new accounting standard, the impact of the adoption of the standard is explained below:

IFRS 16 LEASES

The Branch has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. On adoption of IFRS 16, the Branch recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate as of 1 January 2019. The weighted average lessee's incremental financing rate applied to the lease liabilities on 1 January 2019 was 2.68%.

	2019
Operating lease commitments disclosed as at 31 December 2018	**1,738,200**
Discounted using the Branch's incremental financing rate of 2.68%	1,338,951
(Less): short-term leases recognized on a straight-line basis as expense	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	(640,419)
Lease liability recognized as at 1 January 2019 (Note no. 8)	**698,532**

4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (Continued)

IFRS 16 LEASES

In applying IFRS 16 for the first time, the Branch has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Branch has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

There are a number of amendments to standards issued which are effective from 1 January 2020, but they do not have a material effect on the Branch's Financial Statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia, which require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Branch's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

6.1. Actuarial valuation of employees' post-employment benefits

Branch operates an end of the service benefit plan for its employees based on the prevailing Saudi labor laws. The liability is being accrued based on the projected unit credit method in accordance with the period actuarial valuation.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.2. Impairment of financial assets

A provision for impairment of trade receivables is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivables is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

6.3. Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (when active market prices are not available). This includes the development of estimates and assumptions that correspond to how market participants price the instrument. Management is based on its assumption on observable lists as much as possible but this is not always available. In that case, the Branch uses the best available information. The estimated fair values of actual prices to be achieved in a business transaction may differ at the reporting date.

7. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is as below:

7.1. Financial instruments

7.1.1. Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at Amortized cost "AC", Fair value through other comprehensive income "FVOCI" or Fair value through profit and loss "FVTPL". However, the Branch as of the reporting date only holds financial asset carried at AC.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.1. Financial instruments (Continued)

7.1.1. Financial assets (Continued)

Financial assets at FVOCI

Equity instruments

On initial recognition, for an equity investment that is not held for trading. the Branch may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All other financial assets are classified as measured at FVTPL (for example equity held for trading and debt securities not classified neither as AC or FVOCI).

In addition, on initial recognition, the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

De-recognition of financial assets

A financial asset or a part of a financial asset is de-recognized when:

- The right to receive cash flows from the asset have expired, or
- The Branch has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either:
  a) The Branch has transferred substantially all the risks and rewards of the asset, or
  b) The Branch has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

Impairment of financial assets

The Branch assesses on a forward-looking basis the life expected credit losses associated with its financial assets carried at amortized cost.

For receivables, the Branch applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of trade receivables.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.1. Financial instruments (Continued)

7.1.1. Financial assets (Continued)

Impairment of financial assets (Continued)
The Branch uses a provision matrix in the calculation of the expected credit losses on receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default which was derived from historical data of the Branch and is adjusted to reflect the expected future outcome which includes macro-economics factors.

Other instruments are considered as low risk and a Branch use a provisional matrix in calculating the expected credit losses.

A financial asset is written off only when:
(i) that is past due, and
(ii) there is no reasonable expectation of recovery

Where financial assets are written off, the Branch continues to engage in enforcement activities to attempt to recover the receivables due. Where recoveries are made, after write-off, are recognized in the statement of profit or loss.

7.1.2. Financial liabilities

Initial recognition
Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, the fair value of the consideration received less directly attributable transaction costs.

Subsequent measurements
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.1. Financial instruments (Continued)

7.1.2. Financial liabilities (Continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Branch or the counterparty.

Fair value hierarchy of financial instruments

The Branch classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

Level 1

The fair value of financial instruments quoted in active markets is based on their quoted closing price at the statement of financial position date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

Level 3

The fair value of financial instruments that are measured on the basis of entity-specific valuations using inputs that are not based on observable market data (unobservable inputs).

7.1.3. Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

7.2. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts, bank overdraft and other short-term highly liquid investments with original maturities of three months or less, if any, which are available to the Branch without any restrictions which are subject to insignificant risk of changes in value.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.3. Employees' post-employment benefits

The liability or asset recognized in the statement of financial position in respect of defined benefit. the plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income or loss.

7.4. Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

7.5. Provision

Provisions are recognized when the Branch has:

- a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.5. Provision (Continued)

Where there are a number of similar obligations, (e.g. product warranties, similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

7.6. Contingent liabilities

All contingent liabilities arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Branch or all current liabilities arising from past events but are not proven for the following reasons:

(1) There is no possibility that the flow of external resources inherent in economic benefits will be required to settle the obligation

(2) The amount of the obligation cannot be measured reliably they should all be assessed at the date of each financial position and disclosed in the Branch's financial statements within the contingent liabilities.

7.7. Revenue recognition

The revenue recognition policy outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes the below mentioned five – step model that will apply to revenue arising from contracts with customers.

i) Revenue from contracts with customers

The Branch recognizes revenue from contracts with customers based on a five – step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer:

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract:

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price:

The transaction price is the amount of consideration to which the Branch expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amounts collected on behalf of third parties.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.7. Revenue recognition (Continued)

i) Revenue from contracts with customers (Continued)

Step 4. Allocate the transaction price to the performance obligations in the contract:
For a contract that has more than one performance obligation, the Branch will allocate the transaction price to each performance obligation in an amount that depicts the amounts of consideration to which the Branch expects to be entitiled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation:
The Branch satisfies a performance obligation and recognizes revenue over time if one of the following criteria is met:

a) The Branch's performance does not create an asset with an alternate use to the Branch, and the Branch has an enforceable right to payment for performance complete to date.

b) The Branch's performance creates or enhances an asset that the customer controls as the asst is created or enhanced.

c) The customer simultaneously receives and consumes the benefits provided by the Branch's performance as the Branch performs.

For performance obligations where none of the above conditions is met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the consideration promised in a contract includes a variable amount, the the Branch shall estimate the amount of consideration to which the Branch will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Branch's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The variability relating to the consideration promised by a customer may be explicitly stated in the contract. In addition to the terms of the contract, the promised consideration is variable if either of the following circumstances exists:

a) The customer has a valid expectation arising from the Branch's customary business practices, published policies or specific statements that the entity will accept an amount of consideration that is less than the price stated in the contract. That is, it is expected that the Branch will offer a price concession.

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.7. Revenue recognition (Continued)

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation:

b) Other facts and circumstances indicate that the Branch's intention, when entering into the contract with the customer, is to offer a price concession to the customer.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Branch assess its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Branch and the revenue and costs, if applicable, can be measured reliably.

ii) Credit Rating

The Branch is engaged in providing credit rating, commentary and research services to several banks. Revenue from these services are recognized in the period in which services are provided.

Revenue is recorded net of returns, trade discounts, volume rebates, estimates of other variable consideration and amounts collected on behalf of third parties. The consideration payable to a customer is recognized as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct goods or service that the customer transfers to the Branch. If consideration payable to the customer is a payment for a distinct goods or service from the customer, then the Branch record such purchase of the good or service in the same way that it accounts for other purchases from suppliers.

7.8. Operating expenses

Operating expenses are recognized in the statement of profit and loss upon utilization of the services or as incurred.

7.9. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Branch operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(All amounts are in Saudi Riyal unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.10. Foreign currency transactions and balances

Transactions in foreign currencies are translated into Saudi Riyal using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Saudi Riyals at rates of exchange prevailing on that date. Gains or losses on repayments or foreign currency translation are included in the statement of income or loss.

8. RIGHT-OF-USE-ASSETS AND LEASE LIABILITES

8.1. Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	31 December 2019
Right-of-use assets- Building	
Lease liabilities as at 1 January 2019	698,532
Prepaid Rent as at 31 December 2018-Reclassified	-
Balance as at 1 January 2019	698,532
Additions during the year	-
Balance as at 31 December 2019	698,532
Accumulated Depreciation	
Balance as at 1 January 2019	-
Depreciation charge for the year	289,048
Balance as at 31 December 2019	289,048
Net Book Value as at 31 December 2019	409,484
Lease Liabilities	
Balance as at 1 January 2019	698,532
Additions during the year	-
Charge for the year	14,688
Less: Lease payments during the year	(294,042)
Balance as at 31 December 2019	419,178

8.2. Maturity profile of lease liabilities:

	As at 31 December 2019
Year 1	276,100
Year 2	426,700
Total undiscounted lease liabilities	702,800
Less: Finance cost	(283,622)
	419,178

(All amounts are in Saudi Riyal unless otherwise stated)

8. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES (Continued)

8.2. Maturity profile of lease liabilities (Continued):

	As at 31 December 2019
Current portion	
Lease liabilities payable	**294,236**
Non-current portion	
Lease liabilities payable	**124,942**
	419,178

8.3. Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019
Lease financial cost (included in finance cost)	**14,688**

The total cash outflow for leases in 2019 was SR 294,042.

9. TRADE RECEIVABLES, NET

	31 December 2019	31 December 2018
Trade receivables	**8,004,145**	693,433
Provision	**(576,953)**	-
	7,427,192	693,433

9.1. Movement in allowance for impairment of trade receivables is as follows:

	31 December 2019	31 December 2018
Opening balance	-	-
Provided for the year	**576,953**	-
Balance at end of the year	**576,953**	-

10. RELATED PARTY TRANSACTIONS AND BALANCES

Significant related parties' transactions for the period ended 31 December 2019 and 31 December 2018 and balances arising from are described as under:

Related party transactions

Significant transactions with related parties in the ordinary course of business included in financial statements are summarized below:

Name of Related Party	Relationship	Nature of Transaction	2019	From 1 November 2017 to 31 December 2018
		Cost expenses	**(8,866,174)**	1,423,638
Fitch Ratings Ltd -UK	Affiliate	Expenses paid on behalf	**(264,805)**	(297,724)
		Funds transfer	-	(1,074,299)

(All amounts are in Saudi Riyal unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Compensation of key management personnel of the Branch

Key management consists of executive management. The compensation paid or earned by key management official is illustrated below:

	2019	From 1 November 2017 to 31 December 2018
Salaries and allowances	**759,000**	660,000
	759,000	660,000

Related party Balances

Significant year-end balance arising from transactions with related party is as follows:

Due from a related party

Name of Related party	Relationship	31 December 2019	31 December 2018
Fitch Ratings Ltd - UK	Affiliate	-	51,616

Dur to a related party

Name of Related party	Relationship	31 December 2019	31 December 2018
Fitch Ratings Ltd - UK	Affiliate	**9,079,363**	-

11. EMPLOYEES' POST-EMPLOYMENT BENEFITS

During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	2019	From 1 November 2017 to 31 December 2018
- Discount rate for year-end obligation (% per annum)	4.00%	4.00%
- Rate of change in salary (% per annum)	5.00%	5.00%
- Employee turnover (withdrawal) rates	Moderate	Moderate

11.1. Change in present value of defined benefit obligation:

	31 December 2019	31 December 2018
Opening balance	**37,574**	-
Service Cost:		
Current Service Cost	**35,475**	35,392
Interest on defined benefit obligations	-	33
Actuarial loss	-	2,149
Closing balance	**73,049**	37,574

(All amounts are in Saudi Riyal unless otherwise stated)

11. EMPLOYEES' POST-EMPLOYMENT BENEFITS (Continued)

11.2. Amount recognized in the profit or loss:

	2019	From 1 November 2017 to 31 December 2018
Service cost	**35,475**	35,392
Net interest on net defined benefit liability	**-**	33
	35,475	35,425

11.3. Amount recognized in the other comprehensive income or loss:

	2019	From 1 November 2017 to 31 December 2018
Actuarial losses due to change in demographic assumptions	-	2,149
Net interest on net defined benefit liability	-	-
	-	2,149

12. ACCRUALS AND OTHER PAYABLES

	31 December 2019	31 December 2018
Accrued employees' benefits	**196,170**	189,049
Accrued VAT and other tax	**181,197**	10,676
Other accruals	**14,400**	30,019
	391,767	229,744

13. DEFERRED INCOME

	31 December 2019	31 December 2018
Add: Total revenue earned	**1,931,023**	-
Less: Total payment received	**(782,631)**	-
	1,148,392	-

(All amounts are in Saudi Riyal unless otherwise stated)

14. PROVISION FOR INCOME TAX

14.1. Tax calculation is as follows:

	2019	From 1 November 2017 to 31 December 2018
Profit before tax	**135,709**	38,011
Additions		
Impairment loss on trade receivables	**576,953**	-
Employee end of service benefits	**35,475**	35,425
Tax depreciation difference	**254,121**	-
Taxable profit	**1,002,258**	73,436
Non-Saudi holding	**100%**	100%
Tax base	**1,002,258**	73,436
Tax@20%	**200,452**	14,687

14.2. Tax movement

Movements' summary for the year / period ended is as follows:

	2019	From 1 November 2017 to 31 December 2018
Opening balance	**14,687**	-
Provision for the year / period	**200,452**	14,687
Payment	**(15,123)**	-
	200,016	14,687

14.3. Tax status

The Branch has obtained a tax certificate valid until 18 Ramadhan 1442 corresponding to 30 April 2021.

15. OPERATING EXPENSES

	2019	From 1 November 2017 to 31 December 2018
Employees' salaries and other benefits	**1,125,108**	1,044,621
Travel	**290,072**	179,668
Depreciation for right of use assets	**289,048**	-
Professional fees	**273,125**	260,084
Marketing	**33,465**	155,444
Rent	**-**	289,700
Others	**134,531**	116,523
	2,145,349	2,046,040

(All amounts are in Saudi Riyal unless otherwise stated)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Branch's principal financial liabilities include other payables. The Branch's principal financial assets consist of cash and cash equivalents, account and other receivables and due from related party. The principal financial risks arising from the Branch's financial instruments are market risk, credit risk, and liquidity risk. Management reviews and reconciles policies to manage these risks.

16.1. Market risk

Market risk is the risk of fluctuation in a financial instrument due to changes in prevailing market prices such as foreign exchange rates and interest rates affecting the Branch's profit or loss or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns. There has been no change in the Branch's exposure to market risk or the manner in which such risks are managed and how they are measured.

16.2. Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The Branch has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	31 December 2019	31 Decemner 2018
Trade receivables, net	**7,427,192**	693,433
Due from a related party	**-**	51,616
Cash at banks	**3,905,521**	58,131
	11,332,713	803,180

16.3. Trade receivables

	1-31 Days	**31-90 Days**	**91-365 Days**	**Above 365**	**Total**
December 31, 2019	**1,772,688**	**1,131,000**	**5,100,457**	**-**	**8,004,145**
Expected loss rates	**-**	**(17,123)**	**(559,830)**	**-**	**(576,953)**
Carrying amount of portfolio	**1,772,688**	**1,113,877**	**4,540,627**	**-**	**7,427,192**

16.4. Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Branch will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation. The shareholders of the Branch are committed to providing the necessary financial support to for working capital, as and when needed.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

16.4. Liquidity risk (Continued)

The table below summarizes the Branch's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Carrying Amount	Less than 1 year	1 to 5 years	More than 5 years
31 December 2019				
Accruals and other payables	391,767	391,767	-	-
Due to a related party	9,079,363	9,079,363		
	9,471,130	9,471,130	-	-

	Carrying Amount	Less than 1 year	1 to 5 years	More than 5 years
31 December 2018				
Accruals and other payables	229,744	229,744	-	-
	229,744	229,744	-	-

16.5. Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Branch's transactions are mainly denominated in Saudi Riyals and Australian Dollars. Other transactions denominated in foreign currencies are considered insignificant. Currency risk is managed on a regular basis.

16.6. Fair value

Fair value is the amount to be received for the sale of an asset, or payment to settle any of the liabilities in regular transactions between the market participants on the measurement date. As such, differences can arise between book values and fair value estimates. The definition of fair value is market-based measurement and assumptions used by market participants.

16.7. Concentration risk

Concentration risk is the risk of focusing the sales of the Branch in a limited number of customers, which results in the case of the cessation of sales to those customers, who represent a substantial percentage of sales of the Branch for any reason to cause significant losses to the Branch, threatening its ability to continuity. Three of the Branch's clients represents the most significant percentage of the Branch's receivables and sales. Management is taking steps to continuously expand its customer base.

(All amounts are in Saudi Riyal unless otherwise stated)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

16.8. Financial instruments by category

	31 December 2019	31 December 2018
Financial assets at amortized cost:		
Trade receivables, net	**7,427,192**	693,433
Due from a related party	**-**	51,616
Cash at banks	**3,905,521**	58,131
Total financial assets	**11,332,713**	803,180
Financial liabilities at amortized cost:		
Accruals and other payables	**391,767**	229,744
Due to a related party	**9,079,363**	-
Total financial liabilities	**9,471,130**	229,744

17. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Branch is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Branch uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of the Branch's financial instruments are a reasonable approximation of fair value.

18. NON-ADJUSTING EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The Branch does not have non-adjusting events after the statement of financial position date.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements ended 31 December 2019 have been approved by the Branch's Management on 21 Ramadhan 1441H, corresponding to 14 May 2020G.