Fitch Ratings

Transparency Report

Kingdom of Saudi Arabia

May 2024

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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 2023.

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Definitions

Analysts: Individuals who perform Credit Rating Activities.

Analytical Group: See Global Analytical Group.

ASIC: The Australian Securities & Investments Commission.

Boards: The boards of directors of FRI (the "FRI Board"), FRIL (the "FRIL Board") and FRL (the "FRL Board") collectively.

Business and Relationship Management group (or "BRM"): The group that carries out ratings-related commercial and marketing activities independently of the Global Analytical Group.

Chief Compliance Officer (or "CCO"): The individual who leads the Global Compliance Group and reports jointly into the CRO of Fitch Group, and the Independent Directors of the Boards. The CCO is responsible for the goals, strategy and status of the Global Compliance Group, the compliance program, and certain other compliance processes and controls including those undertaken by the department's core teams.

Chief Credit Officer: The individual who reports to the CRO and leads the Credit Policy Group.

Chief Criteria Officer: The individual who reports to the CRO and leads the Criteria Review and Approval Group.

Chief Information Security Officer (or "CISO"): The individual who reports to the CRO and leads the Technology Risk group.

Chief Risk Officer (or "CRO"): The individual responsible for the Group Risk function.

Compliance: The Global Compliance Group, a department of Fitch Ratings led by the CCO which is responsible for advising on, supporting and overseeing compliance with CRA Regulation globally.

Conduct Policies: The Fitch Ratings' Code of Conduct & Ethics and related policies regarding complaints, conflicts of interest and confidentiality.

CRA: Credit Rating Agency.

CRA Regulation: The various laws, rules and regulations governing the issuance of Credit Ratings globally.

Credit Policy Group (or "CPG"): The group that is independent of the Global Analytical Group and operates in an oversight capacity with respect to Fitch Ratings' analytical work. CPG also ensures new or developing credit issues are shared and addressed across Analytical Groups.

Credit Rating: A rating that assesses the creditworthiness of an issuer or an issuance.

Credit Rating Activities: The activities which include data and information analysis and the evaluation, approval, issuance and review of Credit Ratings, including acting as the chairperson or voting member of a Credit Rating committee. Credit Rating activities do not include general analytical management activities and oversight (including discussing issues with Analysts under direct supervision), attendance at management meetings or participating as an observer (i.e., non-voting member) in a Credit Rating committee.

Criteria Review and Approval Group (or "CRAG"): The group that is independent of the Global Analytical Group and reviews new methodologies or models, and amendments to existing methodologies or models that would have a material impact on a given set of ratings as required under Fitch Ratings' policy.

CMA: The Capital Market Authority.

ESMA: The European Securities and Markets Authority.

FCA: The Financial Conduct Authority.

Fitch Australia: Fitch Australia Pty Ltd.

Fitch Ratings: Fitch Ratings, Inc. and each of its credit rating affiliates that issues Credit Ratings under the trade name "Fitch Ratings".

Fitch Ratings' Code of Conduct & Ethics: The document 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, is consistent with all laws, rules and regulations applicable to Fitch Ratings in such jurisdiction. All Fitch Ratings policies and procedures reflect Fitch Ratings' Code of Conduct & Ethics.

Fitch KSA: Fitch Australia Pty Ltd – KSA Branch.

FRI: Fitch Ratings, Inc.

FRI Board: The Board of Directors of Fitch Ratings, Inc.

FRIL: Fitch Ratings Ireland Limited

FRIL Board: The Board of Fitch Ratings Ireland Limited.

FRL: Fitch Ratings Ltd

FRL Board: The Board of Directors of Fitch Ratings Ltd.

Global Analytical Head: The individual who reports to the President of Fitch Ratings and is responsible for all Analytical Groups.

Global Group Head: One of the individuals who may also be a Senior Global Group Head, and has global management responsibility for a specific product area (i.e. Sovereigns, Insurance, Covered Bonds, International Public Finance, U.S. Public Finance, Global Infrastructure, FAM, Corporates, Banks and Structured Finance).

Global Analytical Group: any employee, including analytical employees, administrators and others that work in any of the following groups:

- Corporates & Leveraged Finance
- Structured Finance and Covered Bonds
- Financial Institutions Group including:
  - Banks
  - Non-Banks
  - Insurance
  - Fund and Asset Managers
- Public Finance including:
  - International Public Finance
  - U.S. Public Finance
  - Global Infrastructure Group
- Sovereigns

Group Risk: The group that develops, coordinates and reports on the risk management activities of Fitch Group.

Hearst Ratings II, Inc.: The special purpose subsidiary through which the Hearst Corporation retains its ownership interest in Fitch Group, Inc.

INED: Independent Non-Executive Director and refers to an outside member of the Boards.

IOSCO: The International Organization of Securities Commissions.

KSA: The Kingdom of Saudi Arabia.

KSA CRA Regulation (or "KSA CRAR"): 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.

Ratings Operations: The group of employees that report directly, or indirectly, to the Chief Operating Officer of Fitch Ratings.

Ratings Process Manual (or "RPM"): The document that specifies minimum policy and procedural requirements to be applied by Analysts globally and the procedures applicable to all ratings, rating outlooks, rating assessments, credit opinions and scores.

Technology Risk: The group led by the CISO which provides oversight and governance over the Technology Risk program at Fitch Group and oversees information security for all of Fitch Group's business units.

UK CRA Regulation (or "UK CRAR"): The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019.

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

Fitch Ratings has adopted a set of bulletins, policies and procedures, including the Code of Conduct & Ethics, the Rating Process Manual and the Business & Relationship Management Process Manual amongst others, (collectively, the "Operational Procedures") in order to achieve the regulatory mandate based on the principles of objectivity, integrity, transparency and independence. These Operational 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 Fitch Ratings'' operations pertaining to the determination of Credit Ratings. The components of the Internal Control Structure Governing the Determination of Credit Ratings 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 a branch of Fitch Australia Pty Ltd established in the KSA under the Corporations Law of Queensland, and is registered with ASIC as an Australian Financial Services Licensee pursuant to section 913B of the Corporations Act 2001.

Ownership

Fitch Australia Pty Ltd is 100% owned by Fitch Ratings Ltd ("FRL")[1]. 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 in addition to owning 100% of Fitch Group, Inc., include ownership of magazines, newspapers, cable networks, television broadcasting, internet and marketing 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 Fitch Group, Inc. through Hearst Ratings II, Inc., a single purpose subsidiary.

[1] FRL is established in England and Wales and is incorporated in accordance with applicable national law and registered with the FCA under the UK CRA Regulation.

3. Internal Control Structure Governing the Determination of Credit Ratings

1. Introduction

This section describes Fitch Ratings' internal controls related to the issuance of Credit 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 govern the most senior CRAs within Fitch Group, Inc. ("Fitch Group"), and operate under structured procedures. 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' subsidiaries may perform additional oversight activities.

Among other matters, the Boards are responsible for the oversight and management of FRI, FRIL and FRL in accordance with their fiduciary responsibilities and standards established by the laws of the jurisdictions in which FRI, FRIL and FRL are organized, including approval of all components of the internal control framework, as well as overseeing that its components are subject to monitoring and regular update by management.

The Boards have delegated responsibility for the day-to-day running of FRI, FRIL and FRL to a senior management team with sufficient skill and experience to ensure the sound and prudent management of FRI, FRIL and FRL. The senior management team is responsible for the development and performance of controls and for assessing the adequacy and effectiveness of the control environment, establishing, implementing and updating the internal policies and procedures[2] supporting the internal control framework. In establishing these policies and procedures, the senior management team has a documented decision-making process and defined roles and responsibilities.

The Boards oversee, among other matters:

a. The process and maintenance of internal controls for the determination and issuance of Credit Ratings;
b. The publishing of new and materially amended criteria and methodologies pertaining to determining Credit Ratings;
c. The approval of new and materially amended policies pertaining to determining Credit Ratings;
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 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 Group, CPG, the Legal Group, Ratings Operations (including Regulatory Affairs, Policies and Procedures), BRM, 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.

[2] The term "policies and procedures" refer to internal documents that govern or direct how Fitch Ratings or its staff should perform activities that are subject to the requirements of the KSA CRA Regulation.

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 follows the model of the three lines of defense, and is ultimately overseen by the Boards:

a. First Line of Defense: The Global Analytical Group, BRM and Ratings Operations (see below in 5);
b. Second Line of Defense: CPG, CRAG, Compliance, the Technology Risk function and the Operational Risk team (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") and the Information Security group ("IS") (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.

5.1. Global Analytical Group

The senior managers of the Global Analytical Group are: (i) the Global Group Heads, each covering the analytical groups; and (ii) the Regional Group Heads covering certain geographical areas.

5.2. Business & Relationship Management

BRM is a separate function which carries out ratings-related commercial and marketing activities independently of the Global Analytical Group. This structure 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 either by BRM, finance and accounting staff, members of the Legal Department, or others who are employed by Fitch Ratings to handle billing or fee collection matters, outside the Global Analytical Group. BRM staff also follow policies and procedures designed to ensure compliance with anti-money laundering laws, international sanctions, and anti-bribery and corruption laws, as well as other aspects of CRA regulation.

5.3. 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 Group, BRM, Compliance, CPG, Human Resources, Legal and IT to identify risks and implement procedural, training and/or technical solutions in support of the internal control framework and analysts' compliance with Fitch Ratings' 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 RPM.

6. Second Line of Defense

Fitch Ratings' core control functions of CPG, CRAG, Compliance and the Technology Risk function and the Operational Risk team comprise the Second Line of Defense. These functions operate at a global, rather than local level, with staff based in certain Fitch Ratings' offices around the world providing support and oversight to all Fitch Ratings' offices globally.

6.1. The Credit Policy Group

CPG is independent of the Global Analytical Group and includes the Chief Credit Officer, Group Credit Officers, Evaluating Committee Robustness and Fitch Wire. The Chief Credit Officer reports to the CRO. The Chief Credit Officer and Group Credit Officers leverage participation in various committees and discussions to ensure new or developing issues are shared and addressed across the Global Analytical Group. CPG therefore serves as an oversight function 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 promoting coordination across sectors and regions; and may challenge credit thinking with alternative viewpoints;
- Conducts reviews for assessing ratings performance and ratings comparability; and in conjunction with the Chief Criteria Officer report on the effectiveness of Ratings to the Boards;
- Links rating trends with current fundamentals, macro-economic developments and analytically defined expectations by industry or sector;
- Monitors Analytical Groups to ensure consideration of new developments with an appropriate sense of urgency and rigor and reports on and makes recommendations in certain cases;
- Oversees the execution of reviewing unique or complex ratings proposals by Analytical Groups;
- Develops and publishes areas of topical research that address current credit market issues, and/or can be used to frame priorities or identify the next potential credit market development;
- Reviews analytical exceptions, incidents and complaints; and
- Carries out reviews of Committee Papers against Criteria as part of the Evaluating Committee Robustness program. ECR assesses the analytical quality of rating committee packages and evaluates the consistency of criteria application as well as the clarity and adequacy of documentation of rating conclusions.

6.2. Criteria Review and Approval Group

CRAG is independent of the Global Analytical Group and includes the Chief Criteria Officer, Head of Model Validation, Manager of Ratings Performance Analytics and Criteria Officers. The Chief Criteria Officer reports to the CRO of Fitch Group. CRAG serves as an oversight function with respect to Fitch Ratings' Credit Ratings criteria and related models.

In fulfilling these responsibilities, CRAG undertakes the following activities, among others:

- Oversees the rating criteria (and related models and key assumptions) review and approval process recommending approval to the Boards, including ensuring inclusion of appropriate qualitative and quantitative assumptions, sensitivities and key ratings drivers. Analytical Groups are responsible for proposing suitable criteria and changes to existing criteria to CRAG for review and for the justification of the change proposals;
- Conducts regular transition and default studies and develops other quantitative ratings performance indicators to monitor the performance of Fitch Ratings' Credit Ratings over time and across analytical sectors and geographical regions to review the consistency of application of criteria;
- Manages a database of criteria and models to measure compliance with the requirements to review such criteria and models and to ensure only validated models are controlled;
- Reviews criteria change proposals and their justification and conducts model validation; and
- Oversees the identification, review, resolution, and reporting of errors related to models and criteria.

In addition to their oversight activities, both CPG and CRAG contribute to the development of a training program, the Fitch Credit Academy, to provide a formal structure to develop and assess the knowledge and skills analysts need to be effective in evaluating credit. Analysts are trained on fundamental credit concepts, and in some cases specialized curricula designed to provide relevant knowledge and skills appropriate for each Analytical Group, sector and region, as applicable.

6.3. Global Compliance Group

The Global Compliance Group is responsible for advising on, supporting and overseeing compliance with the CRA Regulations applicable in each jurisdiction in which Fitch Ratings operates, along with those requirements set forth in Fitch Ratings' Conduct Policies. Compliance supports, monitors and reports on Fitch Ratings' compliance with CRA Regulations and the Conduct Policies on an ongoing basis through the core functions described below. It also manages the Fitch Ratings' Ethics Hotline and internal incident reporting systems and follows up on incidents where this is required.

Compliance is led by the CCO, who reports jointly into the CRO, and the INEDs. Compliance is represented in multiple geographical locations by local Compliance officers as may be required by local regulations. The CCO periodically informs the INEDs and the CRO on the goals, strategy and status of the Global Compliance Group, the Compliance program, and certain other Compliance processes and controls including those undertaken by Compliance's core functions. The core functions are as follows:

- *Regulatory Compliance:* Compliance is responsible for maintaining (either directly or in conjunction with local country management) Fitch Ratings' license or registration in all jurisdictions where Fitch Ratings is licensed or registered as a CRA. This includes submitting periodic (e.g. monthly, annual, etc.) and ad hoc reporting and filings, along with making any necessary disclosures of issues or events to regulators, and/or the public via Fitch Ratings' public website (www.fitchratings.com). In addition, this team manages all regulatory exams and other regulatory requests for documents and information. Further, the team helps coordinate Fitch Ratings' responses to all exam findings and recommendations, and tracks and monitors Fitch Ratings' completion of agreed management actions. The team regularly liaises with regulators on a global basis. Regulatory Compliance is also responsible for oversight of the processes regarding the handling and resolution of conduct complaints, as defined in Fitch Ratings' Complaints Handling policy. Finally, Regulatory Compliance conducts outreach to Fitch Ratings' offices in Asia, Europe, Latin America, and the Middle East on an in-person or virtual basis. Regulatory Compliance is overseen in each region by a regional head who is responsible for, amongst other things, organizing adherence to new disclosure or reporting requirements by Fitch Ratings in response to regulatory change, and for communicating information regarding these changes to both their team members, and Regulatory Compliance officers in other regions.

- *Personal Conflicts Monitoring ("PCM"):* responsible for administering Fitch Ratings' Global Securities Trading and Conflicts of Interest Policy, which establishes policies designed to minimize actual and apparent conflicts that may arise from employees' personal investment activity, outside interests and external relationships, and gifts, business events and entertainment. PCM utilizes a third-party trade surveillance platform to monitor Fitch Ratings employees' trading activity. PCM also administers the initial securities holdings certification and compliance questionnaire for new hires, as well as an annual compliance recertification of securities holdings and compliance questions for existing staff. PCM also administers a certification sent to the INEDs on an annual basis. Further, PCM is responsible for administering the exceptions and recusals that may be required as a result of a potential conflict.

- *Compliance Testing & Monitoring ("CTM"):* responsible for assessing adherence to policies, procedures and applicable regulations; evaluates the effectiveness of corresponding controls; reports identified exceptions to senior management; and ensures corrective action plans are developed and validated on closure. An Annual Compliance Testing Plan is created using a risk-based approach and focuses on the results from the annual Compliance Risk Assessment. Other factors considered include prior compliance testing, regulatory findings, identified issues and trends. CTM also performs communication surveillance on analytical and commercial staff, as well as certain other areas such as Core Operations and Middle Office. Communication surveillance covers Fitch Ratings e-mail, Microsoft Teams and Bloomberg Email and messaging. Communications sent and received on these channels by employees are flagged by dedicated software when the content indicates a potential violation of policies and procedures. CTM reviews all flagged communications to determine whether a violation occurred and, where appropriate, refers items for investigation under the Employee Accountability Procedure.

- *Compliance Data, Systems and Metrics:* responsible for assisting the CCO in various centralized Compliance tasks and activities. These include completion of Compliance risk assessments, reporting on monitoring the effectiveness of compliance controls, project management of workplan items, management of both the Ethics Hotline and internal complaint log system, as well as exception and incident management through the Exception Management System ("EMS"); and, management of the internal governance, risk, and compliance system.

The CCO also oversees the Fitch Ratings' policy, procedure and internal communications framework globally. At the request and direction of the CCO, Compliance officers prepare and present training and other Compliance communications to Fitch Ratings' employees on a virtual and in-person basis, and coordinate and manage other Compliance communications to employees using a variety of media such as email and Fitch Xchange ("FX") intranet articles.

6.4. The Technology Risk Function

For further information on the Technology Risk function, see Section 8 (Technology Risk and Group IT).

6.5. The Operational Risk Team

The Operational Risk manager reports to the CRO and oversees the policies, procedures and controls designed to manage all aspects of operational risk, including, but not limited to: fraud, regulatory risks, legal risks, physical risks, people risks, information technology risks and third party risk.

In fulfilling these responsibilities, the Operational Risk team:

- Develops, implements and manages Fitch's risk framework;
- Facilitates Risk and Control Self-Assessment activity;
- Works with first line stakeholders to identify new and emerging risks; and
- Coordinates risk management and internal control activities.

7. Third Line of Defence

7.1. Internal Audit

Internal Audit ("IA") is the third line of defense and provides independent and objective assurance as to whether the design and effectiveness of Fitch Ratings' risk framework, controls and governance processes are adequate.

The Head of IA reports to the INEDs and the CRO. At least annually, the Head of IA submits to the INEDs and the CRO an internal audit plan for review and approval. The internal audit plan consists of a work schedule for the following calendar year. It is developed based on a prioritization of the audit universe using a risk-based methodology, including input from the INEDs, the CRO and other members of Fitch Ratings' senior management. 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 INEDs and the CRO through periodic reporting or direct communication, as applicable.

After the conclusion of an internal audit engagement, IA issues and distributes a written audit report. The audit report includes management's responses and corrective actions with regard to any specific audit findings and recommendations. Management's responses include a timetable for anticipated completion of corrective actions. IA is also responsible for appropriate follow-up, and all audit findings remain in an "open issues file" until cleared. In addition, the Head of IA periodically reports to the INEDs and the CRO on the purpose, authority and responsibility of IA as well as progress and performance relative to the audit plan.

IA also conducts independent testing of key controls supporting the rating process. This testing is undertaken globally to support the assessment of the effectiveness of internal controls under the US SEC Dodd-Frank Control Act and ESMA's Guidelines on Internal Control for CRAs.

8. Technology Risk and Group IT

The Technology Risk ("Tech Risk") and IT functions are responsible for managing the technology infrastructure and enabling Fitch Ratings to deliver against its strategic goals by reducing the risk of significant security incidents and data breaches.

Group IT

Fitch Group's IT function manages the technology infrastructure for Fitch Ratings globally. IT is led by Fitch Group's Chief Information Officer ("CIO"), and has both Fitch Group's Chief Technology Officer ("CTO") and the Chief Software Officer ("CSO") reporting in to them. In addition to typical IT tasks and responsibilities, the CTO also:

- Maintains and monitors infrastructure including desktops, networks and data applications and process for ongoing operations;

- Plays a material role in supporting business continuity plans, including those related to the issuance and publication of Credit Ratings;
- Manages and tests disaster recovery plans

Together with Ratings Operations, the CSO develops custom applications required to support core ratings activities such as workflow systems, analysis and surveillance systems, and publishing and document management systems, and maintains those applications and systems.

Tech Risk

The Tech Risk team is focused on understanding the risk environment so that measures can be taken to eliminate the risk or to reduce the likelihood and potential impact when an incident arises from a risk. Led by the Chief Information Security Officer ("CISO"), Tech Risk works with the Fitch IT team to drive increased security and resilience across the Fitch Group environment. Tech Risk also:

- Creates, manages, and leads the implementation of the information security program;
- Identifies and addresses the risks associated with the technology processes used in the issuance of Credit Ratings, along with IT and senior members of the business, legal and Compliance teams;
- Provides advice on developing operational resilience plans, including those related to the issuance and publication of Credit Ratings;
- Implements and manages foundational security controls designed to prevent and detect information security threats, and designs and tracks objective metrics tied to those controls;
- Manages access control for all systems, ratings data and applications in compliance with confidentiality and conflict of interest policies; and
- Manages annual training and awareness activities for cybersecurity, including required annual training, regular phishing exercises, frequent messaging and awareness raising via FX, a monthly cybersecurity newsletter, a personal cybersecurity guide, and annual cybersecurity awareness month activities in October.

4. Information on Allocation of Staff

The table below details the total number of analytical staff employed by Fitch Ratings globally are registered to work as primary analysts on public Credit Ratings for rated entities based in the KSA as of 31 December 2023.

Primary Analysts[3]	40

The total number of analytical staff employed by Fitch Ratings globally responsible for methodology and model management appraisal as of 31 December 2023 is detailed in the table below.

Methodology Review and Validation	10
Model Review and Validation	13
Methodology Development	145
Model Development	29

Fitch KSA had three full-time employees as of 31 December 2023:

- The General Manager (Registered Person), reporting to the Managing Director of Middle East and Sub-Saharan Africa, (based in Dubai, UAE).
- Senior Administrator and Associate Director, both reporting to The General Manager of Fitch KSA

The Compliance Officer (Registered Person) duties are performed by the Compliance Director – Middle East, who is based in Dubai, UAE and reports to the Head of Compliance, EMEA, who is based in London, UK.

Further information on senior management can be found in section 8 of this report under the title “Management”.

[3] Fitch KSA did not employ any analytical staff as of 31 December 2023.

5. Record Keeping Policy

Fitch Ratings has 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 KSA CRA Regulation. There are two main record-keeping policies that apply: The File Maintenance and Recordkeeping Policy for Analysts, and the File Maintenance and Recordkeeping Policy for BRM.

Additional details regarding the exact content of the information that must be included in certain documents referenced in the File Maintenance and Recordkeeping Policy for Analysts (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 Ratings 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 Credit Rating;

b. Electronic or written communications received or sent by Fitch Ratings and its employees concerning fee negotiations;

c. The solicitation status of each Credit Rating;

d. The established procedures and methodologies used by Fitch Ratings to determine Credit Ratings;

e. The procedures and measures implemented by Fitch Ratings to comply with any applicable regulation; and

f. External and internal communications, including saved emails received and sent by Fitch Ratings 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 through a review of the Conduct Complaints process. The audit identified minor issues that have subsequently been remediated in line with management commitments detailed in the audit report.

7. Information on Revenue

Description of Rating Activities

Fitch Ratings' business activities are based on the provision of independent analysis and rating opinions regarding a variety of risks in the financial markets. Such rating activities include the development and provision of analytical opinions using a number of rating scales, ratings-related data and peer analysis tools, rating models, surveillance products, research products and other analytical services. These scales, products and services all reflect Fitch Ratings' independent risk analysis.

Fitch Ratings' rating opinions do not comment on the suitability of any particular type of investment or the appropriate level of risk for any user of these rating opinions. In preparing its rating opinions, Fitch Ratings is indifferent to the rating or assessment levels achieved and neither suggests nor cautions against individual 'target' levels of rating or assessment. Consequently, Fitch Ratings does not provide advisory or consulting services to any entity.

Revenue

The tables below provide the revenue derived from both rating activities and ancillary services during the 12-month financial period ending 31 December 2023.

Total Revenue	
Fitch KSA (SAR)	8,206,083

8. Governance Statement

Corporate Governance Code

Fitch Australia Pty Ltd is set up in a manner consistent with applicable Australian corporate law. Fitch Australia operates in accordance with its by-laws and all applicable laws and regulations.

The individual board members of Fitch Australia Pty Ltd comprise the following:

John Anthony Miles– Executive Director
Wai Cheong Chong – Executive Director

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 Fitch KSA.

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 relevant individuals will report on topics and issues which might be relevant to Fitch Australia and Fitch KSA.

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 new and materially amended policies pertaining to determining Credit Ratings;
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 CRAG.

Management

Each of the analytical staff employed within Fitch Ratings report to a regional group head, in some cases through a series of line managers. The regional rating group heads report ultimately to a Global Group Head.

Currently one of Fitch Ratings' five Senior Global Group Heads is based in the UK, one is based in Hong Kong and three are based in the United States. All five Senior Global Group Heads report to the Global Analytical Head who is based in New York. This individual reports to the President of Fitch Ratings, who is based in the UK.

Internal Controls and Risk Management Pertaining to Financial Reporting

The Finance Group, headed by the International Controller reporting to the Global Controller (who reports to the Chief Financial Officer of the Fitch Group),, is responsible on a day-to-day basis for ensuring that the production of all relevant financial reports and accounts of Fitch Ratings are in accordance with all statutory requirements and that controls are in place to ensure operational risks (such as error and fraud) are addressed appropriately..

The adequacy and operation of controls over financial reporting are reviewed on an on-going basis by the senior Finance staff. These controls are further considered by Fitch Ratings' external auditors during the annual external audit process and formally considered by the Directors as part of their approval of the audited financial statements. In addition, the adequacy and operation of controls is reviewed by way of audit activity, undertaken by the parent entity Internal Audit function and an external global audit firm.

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 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

There were no material changes to Fitch Ratings' bulletins, policies and procedures in 2023.

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 2023 (together with the independent auditor's report) are 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 2023 is presented in section 7 of this report.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

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Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the head office
Branch of Fitch Australia Pty Ltd.
(Saudi Arabian Branch)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Branch of Fitch Australia Pty Ltd. ("the Branch"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the Branch's financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2023, 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 issued by the Saudi Organization for Chartered and Professional 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the Code. 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and applicable requirements of the Regulations for Companies and for such internal controls 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 management, are responsible for overseeing the Branch's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF BRANCH OF FITCH AUSTRALIA PTY LTD. (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 misstatement, 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' 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 controls that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب الدمام
س.ت ٢٠٥٠١١٤١١٠
CR.: 2050114110
Dammam Branch
Chartered Accountants
Deloitte and Touche & Co.

Abdul Rahman S. Al-Suwayegh
License No. 461
9 Shawwal, 1445H
April 18, 2024

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
ASSETS			
Non-current assets			
Deferred tax assets	11	**81,929**	81,068
Total non-current assets		**81,929**	81,068
Current assets			
Accrued income and other current assets	5	**671,199**	787,523
Trade receivables, net	6	**1,437,882**	1,360,478
Due from a related party	15	**184,143**	-
Cash and cash equivalents	7	**4,100,234**	686,299
Total current assets		**6,393,458**	2,834,300
TOTAL ASSETS		**6,475,387**	2,915,368
HEAD OFFICE EQUITY AND LIABILITIES			
Head office equity			
Capital		**500,000**	500,000
Capital contribution	17	**800,000**	-
Retained earnings		**684,032**	340,937
Total head office equity		**1,984,032**	840,937
LIABILITIES			
Non-current liabilities			
Employees' defined benefit liabilities	8	**86,809**	25,836
Total non-current liabilities		**86,809**	25,836
Current liabilities			
Accruals and other payables	9	**712,837**	714,881
Trade payables		**12,352**	5,175
Deferred income	10	**626,534**	312,137
Due to a related party	15	**2,962,185**	1,011,246
Income tax payable	11	**90,638**	5,156
Total current liabilities		**4,404,546**	2,048,595
TOTAL LIABILITIES		**4,491,355**	2,074,431
TOTAL HEAD OFFICE EQUITY AND LIABILITIES		**6,475,387**	2,915,368

The accompanying notes form an integral part of these financial statements

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
Revenue	12	**8,206,083**	2,196,422
Operating expenses	13	**(7,699,443)**	(2,026,311)
Operating profit		**506,640**	170,111
Impairment loss on trade receivables	6	**(126,765)**	(64,644)
Other income	14	**48,889**	58,629
Finance charges		**(1,048)**	(1,105)
Profit before tax		**427,716**	162,991
Taxation	11	**(84,621)**	(22,720)
PROFIT FOR THE YEAR		**343,095**	140,271
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**343,095**	140,271

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Capital SR	Capital contribution SR	Retained earnings SR	Total SR
January 1, 2022	500,000	-	200,666	700,666
Profit for the year	-	-	140,271	140,271
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	140,271	140,271
December 31, 2022	500,000	-	340,937	840,937
Profit for the year	-	-	**343,095**	**343,095**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	**343,095**	**343,095**
Capital contribution	-	**800,000**	-	**800,000**
December 31, 2023	**500,00**	**800,000**	**684,032**	**1,984,032**

The accompanying notes form an integral part of these financial statements

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 SR	2022 SR
OPERATING ACTIVITIES		
Profit before tax	**427,716**	162,991
Adjustments for		
Finance charges	**1,048**	1,105
Impairment loss on trade receivables	**120,224**	64,644
Provision for employees' defined benefit liabilities	**60,973**	25,836
Movement in working capital:		
Trade receivables, net	**(197,628)**	(1,073,995)
Accrued income and other current assets	**116,324**	(905)
Due from a related party	**(184,143)**	
Trade payables	**7,177**	(49,163)
Accruals and other payables	**(2,044)**	248,768
Deferred income	**314,397**	(122,519)
Due to a related party	**1,950,939**	(1,176,170)
Cash from (used in) operations	**2,614,983**	(1,919,408)
Employees' defined benefit liabilities paid	**-**	(185,135)
Income tax paid	**-**	(1,734)
Finance charges paid	**(1,048)**	(1,105)
Net cash from (used in) operations	**2,613,935**	(2,107,382)
FINANCING ACTIVITIES		
Capital contribution	**800,000**	-
Net cash from financing activities	**800,000**	-
Net change in cash and cash equivalents	**3,413,935**	(2,107,382)
Cash and cash equivalents, January 1	**686,299**	2,793,681
CASH AND CASH EQUIVALENTS, DECEMBER 31	**4,100,234**	686,299

1. GENERAL INFORMATION

Branch of Fitch Australia Pty Ltd ("Saudi Arabian Branch ") was registered in the Kingdom of Saudi Arabia under the Commercial registration number 1010612747 dated 12 Safar 1439H corresponding to November 1, 2017, and under SAGIA license No. 10211380976497 dated 10 Ramadan 1438H corresponding to June 5, 2017. The Branch is fully owned by Fitch Australia Pty Ltd, a limited liability company registered in Australia whereas The Hearst Corporation, is the ultimate parent company.

The principal activities of the Branch are to provide credit rating services.

The registered address of the Branch is in Riyadh, Kingdom of Saudi Arabia.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of preparation
These financial statements have been prepared under the historical cost basis, except as otherwise mentioned in below accounting policies.

The financial statements are presented in Saudi Riyals ("SR") being the functional currency of the Branch.

Revenue
Revenue is measured based on the consideration to which the Branch expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties such as value added tax. The Branch recognizes revenue when it transfers control of a service to a customer.

The Branch recognizes revenue from credit rating, commentary and research services to various sectors.

Revenue is measured at the fair value of the consideration received or receivable.

Operating expenses
Operating expenses are recognized in the statement of profit or loss as and when incurred.

Foreign currencies
In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits

Employees' defined benefit liabilities
The employees' defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Branch presents the first two components of defined benefit costs in profit or loss in relevant line items and remeasurements are presented in other comprehensive income.

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of its Saudi employees, are expensed when incurred.

Income tax
The Branch is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Income tax is provided on an accruals basis and computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Deferred income tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Deferred income tax (continued)
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in statement of profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively

Withholding tax
The Branch withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax
Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks, cash on hand, short term deposits, demand deposits and highly liquid investments with original maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Provisions
Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the statement of financial position under accruals and other payables. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Financial instruments
Financial assets and financial liabilities are recognised in the Branch's statement of financial position when the Branch becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order 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 interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Branch may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Branch may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Branch may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
The Branch always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Branch's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Branch recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Branch measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Branch compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Branch's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Branch's core operations.

Definition of default
The Branch employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Branch.

Irrespective of the above analysis, the Branch considers that default has occurred when a financial asset is more than 90 days past due unless the Branch has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the debtor;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the Branch, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the debtor (s) would not otherwise consider;
(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Write off policy
The Branch writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Branch in accordance with the contract and all the cash flows that the Branch expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets
The Branch derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Branch has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities
Financial liabilities that are not designated as FVTPL, are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Branch derecognizes financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases
For short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Branch recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

3.1 New and revised Standards applied with no material impact on the financial statements

In the current year, the Branch has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Amendments to IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)*
  The Branch has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

  IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

  The Branch does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- *Amendments to IAS - 1. Presentation of Financial Statements and IFRS Practice Statement 2. Making Materiality Judgements- Disclosure of Accounting Policies*
  The Branch has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

  The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

3.1 New and revised Standards applied with no material impact on the financial statements (continued)

- *Amendments to IAS 12 Income Taxes-Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
  The Branch has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

- *Amendments to IAS 12 Income Taxes — International Tax Reform — Pillar Two Model Rules*
  The Branch has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

  The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

  Following the amendments, the Branch is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Accounting Estimates*
  The Branch has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

3.2 New and revised standards issued but not yet effective

At the date of authorisation of these financial statements, the Branch has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided)
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent (effective from January 1, 2024).
- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants (effective from January 1, 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements (effective from January 1, 2024).
- Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback (effective from January 1, 2024).

Management do not expect that the adoption of the above Standards will have a material impact on the Branch's financial statements in future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Branch's accounting policies, which are described in note 2, the management of the Branch are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables
An estimate of expected credit loss on trade receivables is calculated in accordance with the accounting policy detailed in note 6.

Employee defined benefit liabilities
Employee defined benefit liabilities are determined using an input credit method which requires estimates to be made of the various inputs. These estimates have been disclosed in note 8.

5. ACCRUED INCOME AND OTHER CURRENT ASSETS

	2023 SR	2022 SR
Accrued income	**603,199**	761,523
Prepayments	**42,000**	-
Rent and other deposits	**26,000**	26,000
	671,199	787,523

6. TRADE RECEIVABLES, NET

	2023 SR	2022 SR
Trade receivables	**1,581,188**	1,383,563
Less: allowance for doubtful debts	**(143,306)**	(23,085)
	1,437,882	1,360,478

Movement in allowance for doubtful debts is as follows:

	2023 SR	2022 SR
January 1	**23,085**	988
Provision during the year	**126,762**	64,644
Written-off	**(6,541)**	(42,547)
December 31	**143,306**	23,085

6. TRADE RECEIVABLES, NET (CONTINUED)

The average credit period on accounts receivables is from 60 to 90 days. No interest is charged on the trade receivables outstanding balance.

The Branch measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Branch writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables based on the Branch's provision matrix. As the Branch's historical credit loss experience does not show a significantly different loss pattern for different customer segments, the allowances for doubtful debts based on past due status is not further distinguished between the Branch's different customer types.

		Trade receivables – Past due but not impaired			
	Not past due	**31-90**	**91-365**	**Above 365**	**Total**
December 31, 2023	**SR**	**SR**	**SR**	**SR**	**SR**
Expected credit loss rate %	**1.84%**	-	**14.65%**	-	**9.06%**
Gross carrying amount	**689,550**	-	**891,638**	-	**1,581,188**
Lifetime ECL	**12,654**	-	**130,652**	-	**143,306**
Net trade receivables	**676,896**	-	**760,986**	-	**1,437,882**

		Trade receivables – Past due but not impaired			
	Not past due	31-90	91-365	Above 365	Total
December 31, 2022	SR	SR	SR	SR	SR
Expected credit loss rate %	-	-	3.59%	-	1.67%
Gross carrying amount	739,674	-	643,889	-	1,383,563
Lifetime ECL	-	-	(23,085)	-	(23,085)
Net trade receivables	739,674	-	620,804	-	1,360,478

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and short-term deposits with original maturities of three months or less. At December 31, 2023 and 2022, cash and cash equivalents consist of a bank balance.

8. EMPLOYEES' DEFINED BENEFIT LIABILITIES

Movements in the present value of the employees' defined benefit obligation in the current year were as follows:

	2023 SR	2022 SR
January 1	**25,836**	185,135
Current service cost	**59,810**	22,353
Interest cost	**1,163**	3,483
Payment during the year	**-**	(185,135)
December 31	**86,809**	25,836
Amount recognized in profit or loss:		
Current service cost	**59,810**	22,353
Interest cost	**1,163**	3,483
	60,973	25,836

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2023	2022
Discount rate	**4.5%**	2.05%
Salary increase rate	**4.5%**	2.05%
Turnover rate	**Moderate**	Moderate

9. ACCRUALS AND OTHER PAYABLES

	2023 SR	2022 SR
Accrued employees' benefits	**438,494**	436,659
Value added tax payable	**69,055**	41,034
Accrued professional fees	**205,288**	237,188
	712,837	714,881

10. DEFERRED INCOME

The amount of SR 0.31 million recognised in deferred income at the beginning of the period has been recognised as revenue for the current year (2022: SR 0.43 million).

11. TAXATION

The movement in income tax liability is as follows:

	2023 SR	2022 SR
January 1	**5,156**	5,839
Charge for the year	**90,638**	5,156
Reversal of excess provision of prior year	**(5,156)**	(4,105)
Paid during the year	**-**	(1,734)
December 31	**90,638**	5,156

Income tax charge for the year is as follows:

	2023 SR	2022 SR
Provision for the year	**90,638**	5,156
Reversal of excess provision of prior year	**(5,156)**	(4,105)
Deferred tax for the year	**(861)**	21,669
	84,621	22,720

Income tax provision can be reconciled to the accounting profit is as follows:

	2023 SR	2022 SR
Profit before tax	**427,716**	162,991
Provision (reversal) of impairment loss on trade receivables	**120,221**	22,097
Employees' defined benefit obligation	**60,973**	(159,299)
Prior year losses	**(151,064)**	-
Others	**(4,658)**	(10)
Tax profit	**453,188**	25,779
Non-Saudi holding	**100%**	100%
Tax base	**453,188**	25,779
Tax @ 20%	**90,638**	5,156

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 20% payable by the Branch in the Kingdom of Saudi Arabia on taxable profits attributable to the foreign shareholder.

The Branch has submitted income tax returns up to the year ended December 31, 2022 and has obtained relevant certificates. Assessments from date of inception to 2022 have yet to be issued by the ZATCA.

Deferred tax
Movement of the deferred tax asset is as follows:

2023	Opening balance SR	Recognized in profit or loss SR	Closing balance SR
Deferred tax asset in relation to:			
Employees' defined benefit liabilities	**3,307**	**14,055**	**17,362**
Allowance for doubtful debts	**4,617**	**24,044**	**28,661**
Carry forward tax losses	**73,144**	**(37,238)**	**35,906**
	81,068	**861**	**81,929**

12. REVENUE

The Branch derives revenue from credit rating, commentary and research services to various sectors and consideration agreed is recognized upon the delivery of contracted services in accordance with the contracts terms.

13. OPERATING EXPENSES

	2023 SR	2022 SR
Shared service cost (note 15)	**4,278,356**	(215,406)
Employees' salaries and other benefits	**2,053,216**	1,134,819
Travel	**28,844**	99,434
Operating lease expenses (note 16)	**564,498**	488,786
Professional fees	**688,768**	466,899
Marketing	**17,941**	11,756
Others	**67,820**	40,023
	7,699,443	2,026,311

14. OTHER INCOME

	2023 SR	2022 SR
Exchange gains	**48,889**	58,629
	48,889	58,629

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprise of the shareholders of Fitch Australia Pty Ltd, related group companies, the general manager of the Branch and his close family members, key management personnel and their close family members. The Branch carries out transactions with various related parties at agreed terms.

Trading transactions
During the year, the Branch had transactions with the following related parties:

Name	**Relationship**
Fitch Australia Pty Ltd	Shareholder
Fitch Ratings Ltd. - UK	Affiliate

The significant transactions and the related approximate amounts are as follows:

	2023 SR	2022 SR
Shared service cost	**4,278,356**	(215,406)

Related party balances

	2023 SR	2022 SR
Due from Fitch Learning Higher Training Institute	**184,143**	-
Due to Fitch Ratings Ltd. - UK	**2,962,185**	1,011,246

15. RELATED PARTY TRANSACTIONS AND BALANCES (COTNINUED)

Compensation of key management personnel of the branch
Key management consists of executive management. Compensation paid / payable to key management personnel during the year is:

	2023	2022
	SR	SR
Salaries and allowances	**1,397,300**	984,000

16. SHORT TERM LEASES

The Branch leases office premises for a short term period. These leases are negotiated for an average term of one year and rentals are fixed for one year.

Amount recognized statement of profit or loss is as follows:

	2023	2022
	SR	SR
Expense relating to short term leases	**564,498**	488,786

17. CAPITAL CONTRIBUTION

This represents additional capital contribution from the Head Office to finance the operations of the Branch. During the year, the Head Office contributed SR 0.8 million. The contribution is interest free and payable at the discretion of the Branch.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital management
The Branch's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance.

The Branch's management manage the Branch's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

Categories of financial instruments

Financial assets

	2023	2022
	SR	SR
Cash at banks	**4,100,234**	686,299
Trade receivables, net	**1,437,882**	1,360,478
Accrued income	**603,199**	761,523
	6,141,315	2,808,300

Financial liabilities

	2023	2022
	SR	SR
Trade payables, accruals and other payables	**656,134**	679,022
Due to a related party	**2,962,185**	1,011,246
	3,618,319	1,690,268

The Branch carries cash at banks, trade receivables and accrued income at amortised cost.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives
The treasury function of the parent company provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Branch through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Where possible, the Branch aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Branch's income. The Branch was potentially exposed to market risk, in the form of foreign currency risk and interest rate risk as described below, during the year. There has been no change to the Branch's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management
The Branch undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly. Management believes that the Branch is not materially exposed to currency risk.

Interest rate risk management
Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Branch has no borrowings.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch has adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of limited customers, mainly from KSA. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Branch does not have significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for the management of the Branch's short and medium-term funding and liquidity management requirements. The Branch manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

Liquidity and interest risk tables

The following tables detail the Branch's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Branch can be required to pay.

	Weighted average effective interest rate %	**Less than 1 year SR**	**1 – 5 years SR**	**Total SR**	**Carrying amount SR**
December 31, 2023					
Trade, accruals and other payables	-	**656,134**	-	**656,134**	**656,134**
Due to a related party	-	**2,962,185**	-	**2,962,185**	**2,962,185**
		3,618,319	-	**3,618,319**	**3,618,319**

	Weighted average effective interest rate %	Less than 1 year SR	1 – 5 years SR	Total SR	Carrying amount SR
December 31, 2022					
Trade, accruals and other payables	-	679,022	-	679,022	679,022
Due to a related party	-	1,011,246	-	1,011,246	1,011,246
		1,690,268	-	1,690,268	1,690,268

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Branch's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Branch's financial assets and liabilities are not materially different from their carrying values.

20. RETIREMENT BENEFIT INFORMATION

The Branch makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan is SR 100,074 (2022: SR 52,383).

21. EVENTS AFTER THE REPORTING PERIOD

There were no events subsequent to December 31, 2023 and occurring before the date of the approval of the financial statements that are expected to have a significant impact on these financial statements.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on April 18, 2024.