Fitch Ratings

Saudi Arabia Transparency Report

May 2021

Saudi Arabia Transparency Report

This Transparency Report is published in accordance with Article 22 of the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 3-58-2014 Dated 17/1/1436H Corresponding to 10/11/2014G Based on the Capital Market Law Issued by Royal Decree No. M/30 dated 2/6/1424H. It provides information on the operations of Fitch Ratings in the Kingdom of Saudi Arabia for the fiscal year ending December 2020.

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

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

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

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

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

2. Legal Structure and Ownership

Legal Structure

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

Ownership

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

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

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

1. Introduction

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

2. Board Oversight

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

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

The Boards oversee, among other matters:

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

3. Policy Framework

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

During the policy development or amendment stage, input is gathered from relevant constituents within Fitch Ratings including, where appropriate, the senior management of the Global Analytical Groups, the Credit Policy Group ("CPG"), the Legal Group, Ratings Operations (including Regulatory Affairs, Policies and Procedures), the Business and Relationship Management Group ("BRM"), the Compliance Department ("Compliance"), and any others as may be appropriate. Once a new or amended policy is finalized, it is subject to review and approval in accordance with Fitch Ratings' internal protocols. Certain of Fitch Ratings' policies are also subject to review by the Boards.

4. Three Lines of Defense

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

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

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

5. First Line of Defense

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

Global Analytical Group

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

The Senior Global Rating Group Heads report to the Global Analytical Head.

Business Relationship Management

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

Ratings Operations

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

6. Second Line of Defense

Fitch Ratings' core control functions of the Credit Policy Group (CPG), the Criteria Review and Approval Group (CRAG), Compliance and Technology Risk comprise the Second Line of Defense. These functions operate at a global, rather than local level, with staff based in Fitch Ratings' New York, Chicago, UK, Hong Kong, Singapore and certain EU and Middle Eastern offices, amongst others, providing support and oversight to all Fitch Ratings offices globally.

The Credit Policy Group

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

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

Criteria Review and Approval Group

CRAG is independent of the Global Analytical Groups, is led by the Chief Criteria Officer and is comprised of the Model Validation Group and the Ratings Performance Analytics team. The Chief Criteria Officer reports to the Chief Risk Officer ("CRO") of Fitch Group. CRAG oversees Fitch Ratings' ratings criteria and related models.

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

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

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

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

The Compliance Department

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

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

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

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

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

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

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

Technology and Information Risk

Technology Risk ("Tech Risk") is responsible for enabling the firm to deliver against its strategic goals by reducing the risk of significant security incidents and data breaches. The 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 resiliency across the Fitch Ratings environment, manage data security and access control for files, folders and applications in compliance with confidentiality and conflict of interest policies, and manage risk and enable secure business collaboration and customer engagement. Tech Risk also works closely with other risk stakeholders, including Legal, Compliance, Operational Risk and Human Resources to improve awareness and understanding of the risk environment.

7. Internal Audit (Third Line of Defense)

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

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

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

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

8. Global IT Structure and Systems

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

- Maintains and monitors infrastructure including desktops, networks and data centres required for ongoing operations;
- Manages disaster recovery plans and performs quarterly system recovery tests;
- Develops and maintains custom applications required to support core rating activities, such as workflow systems, analysis and surveillance systems, and publishing and document management systems.

4. Information on Allocation of Staff

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

Analytical Staff – New Credit Ratings and Credit Rating Reviews, 2020	
Primary Analysts	8

The total number of analytical staff employed by Fitch Ratings globally responsible for methodology and model management appraisal as of 31 December 2020 is detailed in the table below.

Analytical Staff – Methodology and Model Appraisal, 2020	
Analytical Staff Responsible for Methodology and Model Appraisal[1]	46

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

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

5. Record Keeping Policy

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

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

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

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

(a) documents including internal records and working papers used or created in support of determining and assigning any type of credit rating, assessment, opinion, score or other Fitch credit product;
(b) electronic or written communications received or sent by Fitch and its employees concerning fee negotiations;
(c) records of the solicited and unsolicited status of each credit rating;
(d) records documenting the established procedures and methodologies used by Fitch to determine credit ratings;
(e) records of the procedures and measures implemented by Fitch to comply with any applicable regulation; and
(f) external and internal communications, including emails received and sent by Fitch and its employees that relates to initiating determining, maintaining, monitoring, changing or withdrawing a credit rating.

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

Internal Audit is conducting an audit of the Annual Compliance Certification process as its annual audit of the Global Compliance Group. To align the audit with the 2021 Certification timetable, the audit report identifying any control issues requiring management actions will be completed by the end of Second Quarter 2021..

7. Information on Revenue

Fitch Australia Pty Ltd's business activities are based on the provision of independent analysis and rating operations regarding a variety of risks in the financial markets. Fitch Australia Pty Ltd does not provide any ancillary services. Thus, all revenue received by Fitch Australia Pty Ltd, including by its branch in the Kingdom of Saudi Arabia is derived from rating activities.
The table below provides, for the branch of Fitch Australia Pty Ltd in the Kingdom of Saudi Arabia, the total revenue during 12-month fiscal period ended 31 December 2020.

Total Revenue – 12-month period ending 31 December 2020	
Saudi Arabia Branch of Fitch Australia Pty Ltd (SAR, 000)	1,993

8. Governance Statement

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

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

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

The Saudi Arabia Branch of Fitch Ratings Pty Ltd had two full-time employees as of 31 December 2020, including:

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

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

9. Policies for Distributing Credit Ratings, Reports and Updates

Fitch Ratings' policies on distributing credit ratings, reports and updates are set forth in the Code of Conduct & Ethics and in the Rating Process Manual (the "RPM"). All Fitch Ratings' public ratings and rating outlooks, and related rating actions and opinions, including withdrawal of a rating are published free of charge on a non-selective basis on its free public website www.fitchratings.com. As appropriate or as is otherwise required Fitch Ratings simultaneously distributes an announcement of the rating or rating action, together with any related commentary including rating outlooks, through wire services or other media outlets.

10. Material Changes to Systems, Resources and Procedures

The table below details material changes to Fitch Ratings' bulletins, policies and procedures in 2020.

Bulletin	Description	Period
Bulletin 02	***Bulletin 02: The Rating Process Manual (RPM)*** Numerous material changes related to various topics including but not limited to Issuer Notification, RAC disclosures, Rating information disclosure forms, issuance and timing, media communications, and others.	2020 Q1
Bulletin 02	***Bulletin 02: The Rating Process Manual (RPM)*** Changes were made to Section 6.4 reflect ESMA's Guidelines on Disclosure Requirements Applicable to Credit Ratings dated 18 July 2019 and effective from 30 March 2020. Changes were made to Sections 4.5 and 4.5.1 to reflect publication of ESMA's updated Questions and Answers (Implementation of the Regulation (EU) No 462/2013 on Credit Rating Agencies) dated 17 February 2020 relating to the conduct of periodic reviews of Ratings	2020 Q1
Bulletin 10A	***Bulletin 10A: Firewall Policy*** Bulletin 10A is a supplement to Bulletin 10: Firewall Policy, which sets forth the framework for managing shareholder / director / affiliate conflicts by imposing prohibitions and disclosure requirements on the issuance or maintenance of credit ratings on certain affiliated entities. The tables included in Bulletin 10A set forth when a rating may be issued, provided a disclosure is made, and when a rating may not be issued at all. Bulletin 10A was updated to add and remove entity names.	2020 Q1-Q4
Bulletin 13	***Bulletin 13: Global Securities Trading and Conflicts of Interest Annexes*** An Exhibit was added to address the expanded definition of Family Members for employment related recusals for employees in the APAC region. Analytical Group names were updated to reflect organizational changes. The following provisions within Securities trading and reporting were amended: removing the deadline for reporting an account, reporting of transactions was reduced from 10 business days to 7 calendar days for employees licensed with the MAS authority, and pre-clearance was made optional Restrictions on Political Contributions were added for certain groups. Guidance was added for Charitable Contributions.	2020 Q2

Bulletin 34:	***Bulletin 34: Rotation Policy*** (i) Clarifications to the definition of SF Rotation Party and EU Analyst (ii) Added new principles to Sections 3.2 and 4.2 related to EU Analyst moving between an EU Fitch CRA and an Endorsed CRA (iii) Added clarifying footnotes 7, 8, 9 and 10 to other principles in Sections 3.2 and 4.2 (iv) Additional textual clarifications and correction of typos May 31, 2020 (i) Changes made to reflect the Fitch Ratings Ireland Limited structure. All Analysts employed by Fitch Ratings Ireland Limited (including its branches wherever located) are subject to EU rotation requirements with effect from 31 May 2020.	2020 Q2
Bulletin 43:	***Bulletin 43: Creation and Calibration of National Ratings Equivalency Tables*** New Policy was published	2020 Q2
Bulletin 02A	***Bulletin 02A: The BRM Process Manual*** Updates to Version 8 of the BRM Process Manual clarify processes and procedures for BRM staff as it relates to the following existing sections of Bulletin 2A. §1.2 Exceptions to the BRM PM and Other Internal Policies §1.3 Segregation of Duties §1.4.3 Monthly Monitoring and Screening of Relationships and Escalation Procedures §1.6 Firewall Policy Monitoring §1.7 Ancillary Business §1.9 BRM Document Templates §3.7 Development, Approval and Maintenance of Fee Schedules §3.8.2 Review of Fee Agreements §6.3 Withdrawal of Ratings for Commercial Reasons §9.4 Responding to Rated Entity/Issuer “Fitch as Vendor Questionnaires”	2020 Q3
Bulletin 25	***Bulletin 25: Complaint Handling*** Material changes to the text of the Policy Definition of Complaint has been amended to: clarify that expressions of dissatisfaction received from any source (including employees), are defined as Complaints and are subject to this Policy, remove the exclusion of Internal Incidents from the definition of Complaint, and remove the exclusion of BRM Matters from the definition of Complaint, but continuing to exclude good faith fee disputes from the definition of Complaint. Clarification added to Section 4 regarding Complaints handled by HR and/or Legal. Clarification added to Section 4 regarding Complaints that fall into more than one category of Complaint and are handled by more than one control function.	2020 Q3

Bulletin 32	***Bulletin 32: Criteria Review Policy*** Bulletin 32 was previously the Criteria Procedure Manual (CPM), which included both policy and procedure related to criteria and model approval. The CPM has been maintained and is now Bulletin 32A. This version of Bulletin 32 describes the policy which establishes CRAG's responsibilities, and is consistent with the content within the prior Bulletin 32.	2020 Q4
Bulletin 32A	***Bulletin 32A: Criteria Procedure Manual (CPM)*** The policy has been modified to add references to the Financial Conduct Authority (FCA) assuming regulatory oversight from ESMA for Fitch Ratings' UK business, effective 31 December 2020. December 1, 2020 The bulletin has been modified to remove reference to Fitch Ratings España S.A.U following entity merger into Fitch Ratings Ireland Limited. This bulletin is now named "Bulletin 32A: Criteria Procedure Manual (CPM)" and a new Bulletin 32 has been released, which should be read in conjunction with this policy. Additional wording clarifies that Rating Watch use following new or revised criteria can occur once the Exposure Draft period has concluded and the new criteria is final and published; this is consistent with timing for UCO actions.	2020 Q4
Bulletin 34:	***Bulletin 34: Rotation Policy*** (i) Updates to reflect the conclusion of the Brexit transition period, scheduled for 31 December 2020. Text updated so that all provisions previously applicable to Credit Ratings where an Analyst is located in an EU CRA registered with the European Securities and Markets Authority (''ESMA'') will continue to apply where an Analyst is located in a UK CRA registered with the Financial Conduct Authority (''FCA'') (or any branch of such CRA). (ii) Conforming changes to rotation requirements for Costa Rica, El Salvador, Honduras, Mexico, Panama and Japan which have been approved and implemented are now reflected in the Bulletin. (iii) As a branch of Fitch Ratings, Inc. Canada is included within the definition of Endorsed CRA and therefore the US rotation requirements are being applied. Canada has been included in Appendix B to align with the inclusion of other branches in the table.	2020 Q4
Bulletin 37	***Bulletin 37: Credit Policy Framework*** Changes made to text to summarize procedural steps involved in handling of Analytical Complaints. Requirement to designate the high or low level complexity of a Complaint at the beginning of an investigation removed. Certain detail removed regarding who will be appointed as an Investigator to afford flexibility based on the facts of any given Analytical Complaint. The changes to B37 include the addition of a description of how CPG monitors macroeconomic risks, the removal of Appendix A – Procedures for Handling Analytical Matter Complaints (which moved to B25), and non-material changes refining language/context and providing additional detail to specific process items.	2020 Q4

Bulletin 39:	***Bulletin 39: Sovereigns and Local & Regional Governments (LRG) (EU Fitch CRA Analysts Only)*** Summary of Changes Addition of Appendix A to reflect that RARs are no longer being published for European Sovereign Ratings with respect to LRGs given that the information previously contained in the RAR is now included in the RAC. Clarifying language added throughout document to reflect feedback from ESMA with respect to certain sovereign/LRG publications (as documented in Fitch Ratings' response to ESMA dated 15 July 2020) and to clarify existing language. Incorporation of the content from the ''Procedure for Managing the annual publication, quarterly reviews of and Deviations from Sovereign and Local and Regional Government (LRG) Rating Review Calendars''. This procedure will now be retired. Updates in preparation for the conclusion of the Brexit transition period, scheduled for 31 December 2020. Text updated so that all provisions previously applicable to sovereign/LRG ratings where the primary Analyst is located in a Fitch Ratings CRA registered with ESMA (or any branch of such CRA) will continue to apply to sovereign/LRG ratings where the primary analyst is located in a Fitch Ratings CRA registered with the FCA (or any branch of such CRA).	2020 Q4
Bulletin 44	***Bulletin 44: Procedure for the Notification and Correction of Clerical Errors*** New Policy was published	2020 Q4
Bulletin 45	***Bulletin 45: Procedure for Verifying Certain Data on Fitch Ratings' Public Website*** New Policy was published	2020 Q4

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 2020 (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 2020 is presented in section 7 of this report.

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2020

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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Date 24/4/1419
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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, 2020, 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 the notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the Branch financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2020, 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 Certified Public Accountants ("SOCPA").

Basis for Opinion

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

Other matter

The financial statements of the Branch for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 Ramadan 1441H (May 14,2020).

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

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

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Branch's financial reporting process.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 disclosure 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 control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

Mazen A. Al-Omari
License No. 480
18 Sha'ban 1442H
March 31, 2021

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب الدمام
ترخيص رقم ٢/٩٦/١١/٣٢٣
License. 323/11/96/2
Dammam Branch
Chartered Accountants
Deloitte and Touche & Co.

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

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	Notes	2020 SR	2019 SR
ASSETS			
Non-current assets			
Deferred tax assets	12	**118,768**	-
Right-of-use assets	5	**115,481**	409,484
Total non-current assets		**234,249**	409,484
Current assets			
Prepayments and other current assets	6	**59,771**	26,000
Trade receivables, net	7	**6,792,322**	7,427,192
Cash and cash equivalent	8	**2,763,041**	3,905,521
Total current assets		**9,615,134**	11,358,713
TOTAL ASSETS		**9,849,383**	11,768,197
HEAD OFFICE EQUITY AND LIABILITIES			
Head office equity			
Capital		**500,000**	500,000
Retained earnings/ (accumulated losses)		**170,395**	(43,568)
Total head office equity		**670,395**	456,432
LIABILITIES			
Non-current liabilities			
Lease liabilities	5	-	124,942
Employees' defined benefit liabilities	10	**139,600**	73,049
Total non-current liabilities		**139,600**	197,991
Current liabilities			
Accruals and other payables	9	**1,421,755**	391,767
Deferred income	11	**1,317,183**	1,148,392
Due to a related party	15	**6,180,486**	9,079,363
Lease liabilities	5	**119,964**	294,236
Income tax payables	12	-	200,016
Total current liabilities		**9,039,388**	11,113,774
TOTAL LIABILITIES		**9,178,988**	11,311,765
TOTAL HEAD OFFICE EQUITY AND LIABILITIES		**9,849,383**	11,768,197

The accompanying notes form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2020

	Notes	**2020 SR**	2019 SR
Revenue	13	**16,471,157**	11,738,873
Operating expenses	14	**(16,876,258)**	(11,011,523)
Operating (loss) profit		**(405,101)**	727,350
Impairment loss reversal/ (charge) on trade receivables	7	**463,356**	(576,953)
Finance cost on lease liabilities	5	**(6,907)**	(14,688)
Profit before tax		**51,348**	135,709
Taxation	12	**162,615**	(200,452)
PROFIT/ (LOSS) FOR THE YEAR		**213,963**	(64,743)
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Re-measurement of employees' defined benefit liabilities		**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**213,963**	(64,743)

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

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	Capital SR	Retained earnings/ (accumulated losses) SR	Total SR
January 01, 2019	500,000	21,175	521,175
Net loss for the year	-	(64,743)	(64,743)
Other comprehensive income for the year	-	-	-
December 31, 2019	500,000	(43,568)	456,432
Net profit for the year	-	**213,963**	**213,963**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**213,963**	**213,963**
December 31, 2020	**500,000**	**170,395**	**670,395**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	2020 SR	2019 SR
OPERATING ACTIVITIES		
Profit before tax	**51,348**	135,709
Adjustments for		
Depreciation for right-of-use assets	**285,083**	289,048
Right-of-use assets written off	**8,920**	-
Finance cost on lease liabilities	**6,907**	14,688
Impairment loss (reversal)/ charge on trade receivables	**(463,356)**	576,953
Provision for employees' defined benefit liabilities	**66,551**	35,475
Movement in working capital:		
Trade receivables, net	**1,098,226**	(7,310,712)
Prepayments and other current assets	**(33,771)**	(26,000)
Due from a related party	**-**	51,616
Accruals and other payables	**1,029,988**	162,023
Deferred income	**168,791**	1,148,392
Due to a related party	**(2,898,877)**	9,079,363
Cash (used in) from operations	**(680,190)**	4,156,555
Income tax paid	**(156,169)**	(15,123)
Net cash (used in) from operating activities	**(836,359)**	4,141,432
FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	**(306,121)**	(294,042)
Net cash used in financing activities	**(306,121)**	(294,042)
Net change in cash and cash equivalents	**(1,142,480)**	3,847,390
Cash and cash equivalents, January 1	**3,905,521**	58,131
CASH AND CASH EQUIVALENTSDECEMBER 31	**2,763,041**	3,905,521

1. GENERAL INFORMAITON

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 01, 2017, under SAGIA license No. 10211380976497 dated 10 Ramadan 1438H corresponding to June 05, 2017. The Branch is fully owned by Fitch Australia Pty Ltd, a limited liability company registered in Australia.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 endorsed by the Saudi Organization for Certified Public 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 the various sectors.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 General Authority of Zakat and Income Tax ("GAZT") 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Accounts and other payable
Accounts and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)
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.

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 trade and other liabilities. 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 regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)
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 (see (iv) below).

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.

For financial guarantee contracts, the date that the Branch becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Branch considers the changes in the risk that the specified debtor will default on the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

(i) 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.

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

iii) 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.

iv) 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; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Branch's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. For financial assets, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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
All financial liabilities are measured subsequently at amortised cost.

Financial liabilities that are not designated as FVTPL, are measured subsequently 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.

Leases
The Branch assess whether a contract is or contains a lease, at inception of the contract. The Branch recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Branch recognizes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Branch uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Branch expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Branch applies IAS 36 “Impairment of assets” to determine whether a right-of-use asset is impaired and recognizes any impairment loss in statement of profit or loss.

Impairment of non-financial assets
At the end of each reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 01, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*: The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

- Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions: The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.

- Amendments to Reference to the Conceptual Framework in IFRS Standards: The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- Amendments to IFRS 3 Definition of a business: The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

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 1 and IAS 8 *Definition of material*: The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

  Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Branch.

3.2 New and revised standards issued but not yet effective

At the date of authorization 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 Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).

The 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 directors 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 2.

Employee defined benefit liabilities
Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 10.

Discounting of lease payments
The lease payments are discounted using the Branch's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

5. LEASES

	2020 SR	2019 SR
Right of use assets – building		
Cost		
January 01	**698,532**	698,532
Written off	**(8,920)**	-
December 31	**689,612**	698,532
Accumulated depreciation		
January 01	**289,048**	-
Charge for the year	**285,083**	289,048
December 31	**574,131**	289,048
Net book value as at December 31	**115,481**	409,484
Lease liabilities		
January 01	**419,178**	698,532
Finance cost charged during the year	**6,907**	14,688
Less: Lease payments during the year	**(306,121)**	(294,042)
December 31	**119,964**	419,178
Maturity profile of lease liabilities		
Year 1	**120,500**	276,100
Year 2	**-**	426,700
Total undiscounted lease liabilities	**120,500**	702,800
Less: Finance cost	**(536)**	(283,622)
	119,964	419,178
Current portion		
Lease liabilities	**119,964**	294,236
Non-current portion		
Lease liabilities	**-**	124,942
	119,964	419,178

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 SR	2019 SR
Rent and other deposits	**26,000**	26,000
Accrued income	**33,771**	-
	59,771	26,000

7. TRADE RECEIVABLES, NET

	2020 SR	2019 SR
Trade receivables	**6,905,919**	8,004,145
Less: allowance for doubtful debts	**(113,597)**	(576,953)
	6,792,322	7,427,192

Movement in allowance for doubtful debts is as follows:

	2020 SR	2019 SR
January 01	**576,953**	-
(Reversal)/ provision during the year	**(463,356)**	576,953
December 31	**113,597**	576,953

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 receivable – Past due but not impaired			
	Not past due	**31-90**	**91-365**	**Above 365**	**Total**
December 31,2020	**SR**	**SR**	**SR**	**SR**	**SR**
Expected credit loss rate %	-	**1.00%**	**5.92%**	-	**1.64%**
Gross carrying amount	**648,790**	**5,219,429**	**1,037,700**	-	**6,905,919**
Lifetime ECL	-	**(52,194)**	**(61,403)**	-	**(113,597)**
Net trade receivables	**648,790**	**5,167,235**	**976,297**	-	**6,792,322**

		Trade receivable – Past due but not impaired			
	Not past due	31-90	91-365	Above 365	Total
December 31,2019	SR	SR	SR	SR	SR
Expected credit loss rate %	-	1.51%	10.98%	-	7.21%
Gross carrying amount	1,772,688	1,131,000	5,100,457	-	8,004,145
Lifetime ECL	-	(17,123)	(559,830)	-	(576,953)
Net trade receivables	1,772,688	1,113,877	4,540,627	-	7,427,192

8. 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, 2020 and 2019, cash and cash equivalents consist of cash and bank balances.

9. ACCRUALS AND OTHER PAYABLES

	2020 **SR**	2019 SR
Accrued employees' benefits	**254,343**	196,170
Value added tax payable	**870,020**	181,197
Accrued professional fee	**179,400**	14,400
Others	**117,992**	-
	1,421,755	391,767

10. EMPLOYEES' DEFINED BENEFIT LIABILITIES

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

	2020 **SR**	2019 SR
January 1	**73,049**	37,574
Current service cost	**64,593**	35,475
Interest cost	**1,958**	-
December 31	**139,600**	73,049
Amount recognized in profit or loss:		
Service cost	**64,593**	35,475
Net interest on net defined benefit liability	**1,958**	-
	66,551	35,475

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

	Valuation at	
	2020	2019
Discount rate	**2.05%**	4.00%
Salary increase rate	**2.05%**	5.00%
Turnover rate	**Moderate**	Moderate

11. DEFERRED INCOME

	2020 **SR**	2019 SR
Total Payment received	**3,049,493**	1,931,023
Recognized under revenue	**(1,732,310)**	(782,631)
December 31	**1,317,183**	1,148,392

12. TAXATION

The movement in income tax liability is as follows:

	2020 SR	2019 SR
January 01	**200,016**	14,687
Charge for the year	-	200,452
Reversal of excess provision in prior year	**(43,847)**	-
Paid during the year	**(156,169)**	(15,123)
December 31	-	200,016

Income tax charge for the year is as follows:

	2020 SR	2019 SR
Provision for the year	-	200,452
Deferred tax for the year	**(118,768)**	-
Reversal of excess provision in prior year	**(43,847)**	-
	(162,615)	200,452

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

	2020 SR	2019 SR
Profit before tax	**51,348**	135,709
(Reversal)/ Impairment loss on trade receivables	**(463,356)**	576,953
Employee end of service benefits	**66,551**	35,475
Tax depreciation difference	**285,083**	254,121
Others	**(286,977)**	-
Tax (loss)/ profit	**(347,351)**	1,002,258
Non-Saudi holding	**100%**	100%
Tax base	-	1,002,258
Tax @ 20%	-	200,452

The tax rate used for the 2020 and 2019 reconciliations above is the corporate tax rate of 20% payable by the Branch in the Kingdom of Saudi Arabia on taxable profits attributable to foreign shareholder.

The Branch has submitted income tax returns up to the year ended December 31, 2019 and has obtained relevant certificates. Assessment from date of inception to 2019 are currently under review by the GAZT.

Deferred tax
Movement of deferred tax asset is as under:

2020	Opening balance SR	Recognized in profit or loss SR	Closing balance SR
Deferred tax assets in relation to:			
Accruals and other payables	-	**26,061**	**26,061**
Impairment loss on trade receivables	-	**22,719**	**22,719**
Others	-	**69,988**	**69,988**
	-	**118,768**	**118,768**

13. REVENUE

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

14. OPERATING EXPENSES

	2020 **SR**	2019 SR
Shared service cost (note 15)	**14,477,950**	8,866,174
Employees' salaries and other benefits	**1,406,993**	1,125,108
Travel	**104,378**	290,072
Depreciation for right of use assets	**285,083**	289,048
Professional fees	**486,628**	273,125
Marketing	**29,748**	33,465
Exchange loss	**10,797**	-
Others	**74,681**	134,531
	16,876,258	11,011,523

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprise of the shareholders, related group companies, directors of the Branch and their 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 Ratings Ltd. – UK	Affiliate

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

	2020 **SR**	2019 SR
Shared service cost	**14,477,950**	8,866,174
Expenses paid on behalf of the Branch	**-**	264,805
Related party balances		
Due to Fitch Ratings Ltd. – UK	**6,180,486**	9,079,363

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:

	2020 **SR**	2019 SR
Salaries and allowances	**937,860**	759,000

16. 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

	2020 SR	2019 SR
Cash at banks	**2,763,041**	3,905,521
Account receivables-net	**6,792,322**	7,427,192
	9,555,363	11,332,713

Financial liabilities

	2020 SR	2019 SR
Accruals and other payables	**1,421,755**	391,767
Due to a related party	**6,180,486**	9,079,363
Lease liabilities	**119,964**	419,178
	7,722,205	9,890,308

Financial risk management objectives
The Branch's corporate treasury function 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 applicable, any significant changes in the Branch's exposure to financial risks or the manner in which the Branch manages and measures these risks are disclosed below.

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 exposed to market risk, in the form of interest rate risk and foreign currency 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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 have 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 Board of Directors, 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.

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, 2020					
Lease liabilities	**2.7%**	**120,500**	**-**	**120,500**	**119,964**
		120,500	**-**	**120,500**	**119,964**
December 31, 2019					
Lease liabilities	2.7%	276,100	426,700	702,800	419,178
		276,100	426,700	702,800	419,178

Fair value measurement
The management considers that the fair values of the financial instruments carried at amortized cost are not significantly different from their carrying amount as at the reporting date.

17. EVENT AFTER THE REPORTING PERIOD

There were no events subsequent to December 31, 2020 and occurring before the date of the approval of the financial statements report that are expected to have a significant impact on these financial statements.

18. 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.

19. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation in the current year. However, there was no impact on the total comprehensive income or equity of such reclassifications.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 31, 2021.