

FITCH RATINGS CIS LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**

Registered number: 04625158



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DIRECTORS AND ADVISERS

Directors	S Handa CSW Prescott DL Samuel DJ Wharrier
Company Secretary	JH Prosser
Registered Office	30 North Colonnade London E14 5GN
Bankers	HSBC Bank plc City Corporate Banking Centre 60 Queen Victoria Street London EC4N 4TR
Independent Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ

REPORT OF THE DIRECTORS
For the year ended 31 December 2019

The Directors have pleasure in presenting their annual report together with the audited financial statements of Fitch Ratings CIS Ltd (“the Company”) for the year ended 31 December 2019. This annual report and financial statements are prepared under International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”).

A review of the business including future developments is set out in the Strategic Report (page 5). A review of the financial risk management is set out in note 3.

General information

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The address of its registered office is 30 North Colonnade, London E14 5GN. The Company's immediate parent undertaking is Fitch Ratings Ltd which is incorporated in the UK. Fitch Ratings Ltd is the parent company of the smallest group of undertakings to consolidate these financial statements. The financial statements of Fitch Ratings Ltd are available from its registered office at 30 North Colonnade, London E14 5GN. The Hearst Corporation is the ultimate parent undertaking and is the parent company of the largest group of undertakings to consolidate these financial statements. The Company trades through its branch in Russia.

Directors

The names of the directors who served during the year and up to the date of signing the financial statements are given below:

S Handa
D Netter (resigned 31 December 2019)
CSW Prescott (appointed 1 January 2020)
DL Samuel
DJ Wharrier

Directors' indemnities

The Articles of Association of the Company set out the terms under which directors and officers are indemnified by the Company in the execution of their duties.

Employees

The Company places considerable value on the contribution of its employees and has continued during the year to encourage employee involvement. Ongoing training programmes seek to ensure that staff build on their skills and capabilities. Internal communications are designed to ensure that all employees are informed about the business and development of the Company. Applications for employment by disabled persons have always been and continue to be fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its success.

Going concern

The Company has prepared these financial statements on a going concern basis, as set out in note 2(b).

Branches outside the UK

The Company has a branch located and operating in Moscow.

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2019

Dividends

No dividend was paid in 2019 (2018: £14.0m).

Political contributions

During the year, the Company made no political contributions (2018: £nil).

Auditor

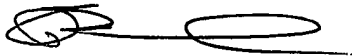
Each of the persons who is a director of the Company at the time when this annual report is approved, confirms as follows:

- So far as the director is aware, there is no relevant information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor.

Approved by the Board and signed on its behalf by:



DL Samuel
Director
4 March 2020

STRATEGIC REPORT
For the year ended 31 December 2019

Principal activities

The principal activity of the Company is the provision of ratings and research services in Russia, the Commonwealth of Independent States ("CIS") and Europe. The Company trades through its branch in Moscow.

Review of business

Revenue increased by 16% in 2019 due to increased debt security issuance in Russia, CIS and Europe. Operating expenses decreased by £2.8m mainly due to foreign exchange gains of £1.3m (2018: loss of £1.7m). The profit on ordinary activities for the year before taxation was £9.3m (2018: £4.6m). After charging tax on profit on ordinary activities of £1.9m (2018: £1.5m), the profit for the year of £7.4m (2018: £3.1m) was transferred to reserves. No dividend was paid during the year (2018: £14m). The Company had assets of £15.3m and liabilities of £4.5m at 31 December 2019.

Regulation of credit rating agencies was introduced in the EU with the entering into force of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. This Regulation was subsequently amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011 and by Regulation (EU) No. 462/2013 of the European Parliament and of the Council of 21 May 2013. The Company was registered under the EU Regulation on 31 October 2011. As a result of the UK's withdrawal from the EU, the Company's registration will convert to the Financial Conduct Authority from the European Securities and Markets Authority, expected to be effective 31 December 2020.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal operating risks are changes in the volume of debt securities issued and other volatility in the region in financial markets, competition and retention of key employees. Other risks include regulatory changes, credit and foreign exchange risk as well as any resulting implications for the Company from the UK's withdrawal from the EU, the effects of which remain uncertain.

The financial risks facing the business are outlined in note 3.1 to the financial statements.

Future outlook

The Company intends to continue in the future to provide ratings and research services through its branch in Moscow.

Key performance indicators

Key performance indicators are revenue growth, profit growth and changes in employee numbers as set out in the profit and loss account and note 7 to the financial statements.

Approved by the Board and signed on its behalf by:



DL Samuel
Director
4 March 2020

STATEMENT OF DIRECTORS RESPONSIBILITIES**For the year ended 31 December 2019**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FITCH RATINGS CIS LTD
For year ended 31 December 2019

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fitch Ratings CIS Ltd (the "Company") which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council ("FRC")'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FITCH RATINGS CIS LTD (continued)
For year ended 31 December 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

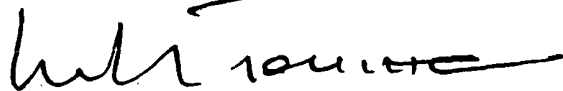
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Continuing operations			
Revenue	5	14,484	12,463
Operating expenses	6	(5,122)	(7,907)
Operating profit		9,362	4,556
Finance costs	8	(63)	-
Profit before tax		9,299	4,556
Tax expense	10	(1,920)	(1,493)
Profit for the year		7,379	3,063

There is no difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

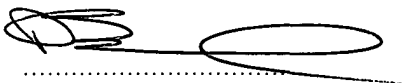
	2019 £000	2018 £000
Profit for the year	7,379	3,063
Other comprehensive income		
Currency translation differences	(77)	40
Total comprehensive income for the year	7,302	3,103

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
ASSETS:			
Non-current assets			
Property, plant and equipment	11	95	76
Deferred tax assets	15	233	181
Right-of-use assets	12	784	-
Trade and other receivables	13	137	142
		<u>1,249</u>	<u>399</u>
Current assets:			
Trade and other receivables	13	12,418	5,207
Current tax assets		62	62
Cash and cash equivalents		1,575	1,022
		<u>14,055</u>	<u>6,291</u>
Total assets		<u>15,304</u>	<u>6,690</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	16	-	-
Retained earnings		13,440	6,061
Other reserves		(2,628)	(2,551)
		<u>-</u>	<u>-</u>
Total equity		<u>10,812</u>	<u>3,510</u>
Liabilities			
Non-current liabilities			
Trade and other payables	14	83	77
Provisions	18	-	2
		<u>83</u>	<u>79</u>
Current liabilities			
Trade and other payables	14	3,024	2,323
Lease liabilities	17	746	-
Current tax liabilities		639	778
		<u>4,409</u>	<u>3,101</u>
Total liabilities		<u>4,492</u>	<u>3,180</u>
Total equity and liabilities		<u>15,304</u>	<u>6,690</u>

The notes on pages 13 to 26 form part of these financial statements.

The financial statements on pages 9 to 26 were authorised for issue by the board of directors on 4 March 2020 and were signed on its behalf.



DL Samuel
 Director
 Registered number: 04625158

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Note	Ordinary Shares £000	Currency Translation Reserve £000	Retained Earnings £000	Total £000
Balance at 31 December 2017	16	-	(2,590)	16,998	14,408
Profit for the year		-	-	3,063	3,063
Other comprehensive income					
Currency translation differences		-	39	-	39
Total comprehensive income for the year		-	39	3,063	3,102
Dividends		-	-	(14,000)	(14,000)
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	(14,000)	(14,000)
Balance at 31 December 2018	16	-	(2,551)	6,061	3,510
Profit for the year		-	-	7,379	7,379
Other comprehensive income					
Currency translation differences		-	(77)	-	(77)
Total comprehensive income for the year		-	(77)	7,379	7,302
Dividends		-	-	-	-
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	-	-
Balance at 31 December 2019	16	-	(2,628)	13,440	10,812

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations	19	3,262	151
Interest paid		-	-
Income tax paid		(2,125)	(1,375)
Net cash generated from operating activities		<u>1,137</u>	<u>(1,224)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(63)	(59)
Proceeds from sale of property, plant and equipment		7	-
Net cash used in investing activities		<u>(56)</u>	<u>(59)</u>
Cash flows from financing activities			
Repayments of lease liabilities		(410)	-
Net cash used in financing activities		<u>(410)</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents		671	(1,283)
Cash, cash equivalents and bank overdrafts at beginning of year		1,022	2,430
Exchange losses on cash and cash equivalents		(118)	(125)
Cash and cash equivalents at end of year		<u>1,575</u>	<u>1,022</u>

The notes on pages 13 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****1. General Information**

The Company provides ratings and research services in Russia, CIS and Europe. The Company trades through its branch in Moscow.

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The address of its registered office is 30 North Colonnade, London E14 5GN. The Company's immediate parent undertaking is Fitch Ratings Ltd which is incorporated in the UK. Fitch Ratings Ltd is the parent company of the smallest group of undertakings to consolidate these financial statements. The financial statements of Fitch Ratings Ltd are available from its registered office at 30 North Colonnade, London E14 5GN. The Hearst Corporation is the ultimate parent undertaking and is the parent company of the largest group of undertakings to consolidate these financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the EU, the Companies Act 2006 that applies to companies reporting under IFRS and International Financial Reporting Interpretations Committee ("IFRS IC") interpretations. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

(b) Going concern

The Company meets its day-to-day working capital requirements through its cash, deposits and the availability of funding through loans from parent undertakings. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Adoption of new and revised Standards

From 1 January 2019 the Company has adopted the following applicable new and amended IFRSs and IFRIC interpretations which have not had a material impact on the Company's profit for the year and equity:

- IFRS 16, "Leases"
- IFRIC 23, "Uncertainty over Income Tax Treatments"
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- IFRIC Interpretation: "IFRIC 22 Foreign Currency Transactions and Advance Consideration"
- Clarifications to IFRS 15, "Revenue from contracts with customers"

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods except:

IFRS 16 – Leases

IFRS 16 replaced IAS 17 "Leases". The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The new Standard has been applied using the modified retrospective approach and therefore the prior year comparatives have not been restated.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****2. Summary of significant accounting policies (continued)****(c) Adoption of new and revised Standards (continued)**

The following standards, amendments and interpretations applicable to the Company are not yet effective and have not been adopted early:

- Amendments to IFRS 3, "Definition of Business"
- Amendments to IAS 1 and IAS 8, "Definition of Material"
- Amendments to IFRS 10 and IAS 28, "Sale of Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to References to the Conceptual Framework in IFRS standards.

(d) Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost also includes as appropriate the estimated cost of removing leasehold improvements at the end of the lease.

Depreciation is provided at rates calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold improvements	-	the shorter of the year of the lease or estimated useful life
Office equipment & furniture	-	4 years
Motor vehicles	-	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Foreign currencies

The presentational and functional currency of the Company is sterling (£). The functional currency of its Moscow branch is Russian Roubles. The net assets of the branch are translated at the rate of exchange ruling at the balance sheet date. The profit and loss account of the branch is translated at average exchange rates. Exchange differences arising on the retranslation of the financial statements from opening, average or transaction exchange rates to closing are recognised in other comprehensive income. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet. Transactions in foreign currency are converted to sterling at the rate ruling at the date of transaction. All resulting exchange differences are recorded in the income statement.

(f) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

2. Summary of significant accounting policies (continued)**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes ("VAT"). The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met in accordance with IFRS 15, *Revenue from contracts with customers*, for each of the Company's activities, as described below. Revenue is recognised on an accruals basis in respect of services which have been completed and excludes VAT. Revenue attributed to ratings of issued securities is recognised when the rating is issued or when milestones are achieved for which a fee would become due should the issue not proceed. Revenue attributable to monitoring of issuers or issued securities is recognised over the period in which the monitoring is performed. Amounts billed in advance of providing these products and services are deferred and revenue is recognised when earned.

(m) Employee benefits

(a) Bonus plans

Bonus awards are determined annually and are entirely discretionary. The decision to award a bonus is based on a number of factors which include Group financial results, relative employee performance and prospective staff retention. An accrual is made at the end of each financial period to record the amount payable.

(b) Long term incentive plan

Under the Fitch Group, Inc. Long Term Incentive Plan, two types of units are issued to participants: Performance Stock ("PS") and Restricted Stock Units ("RSU"). The PS units vest at the end of a three year period, subject to employees continued service, and are non-transferable. The dollar value per unit to each participant payable after vesting is determined by the percentage growth rate in the adjusted pre-tax income of the Corporation or business units as appropriate over the three year vesting period. The RSUs vest over a three year period with one third vesting in each of the three years, subject to employees continued service, and are non-transferable. The vested portion for each year over the three year vesting period is calculated based on the growth rate in the adjusted pre-tax income in the Corporation or business units as appropriate of the preceding year(s).

(n) Leases

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises 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 Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

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 Company uses its incremental borrowing rate.

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

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

(n) Leases (continued)

The lease liability is presented as a separate line 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 the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate of change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

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 assets reflects that the Company 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.

(o) Financial Assets

Classification

The Company classifies its financial assets in the following category: those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Those measured at amortised cost

Those measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. The Company's assets measured at amortised cost comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition any transaction costs are included in the measurement.

For those measured at amortised cost, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

(p) Financial liabilities

The Company initially recognises its financial liabilities at fair value and subsequently they are measured at amortised cost using the effective interest rate method.

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates and interest rates, credit risk and liquidity risk. The Company's risk management policies seek to minimise the potential adverse effects on these risks on the Company's financial performance.

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the transaction risk relating to commercial transactions, recognised assets and liabilities in currencies other than reporting currency and translation risk in respect of the operations and net assets of investments in foreign operations. The Company manages its exposure to transactional risk by minimising excess funds held in non-functional currencies.

(ii) Interest rate risk

The Company's profit and operating cash flows from cash and cash equivalents and deposits with banks are not significantly affected by changes in market interest rates.

(iii) Credit risk

The Company manages and analyses the credit risk relating to accounts receivable balances, and for each of its new clients, taking into account financial position, past experience and other factors, before standard payment and delivery terms and conditions are offered. Credit risk arising from cash and cash equivalents and deposits with banks is limited as the funds are held with leading financial institutions. Credit exposure to third parties, including outstanding receivables, is limited as exposure is spread over a number of clients and geographical markets. This exposure does not significantly affect the Company's profit and operating cash flows.

(iv) Liquidity risk

The Company actively monitors cash, deposits, marketable securities and the availability of funding through either an adequate amount of credit facilities or loans from parent undertakings to ensure the Company has sufficient available funds.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Capital is calculated as "Total equity" as shown in the statement of financial position.

In order to maintain its capital, the Company will consider the amount of dividends paid to shareholders together with levels of cash, cash equivalents and balances with related parties.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the impairment of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****5. Revenue***Disaggregation of Revenue*

The Company operates in one class of business, being the provision of ratings and research services. All revenue is generated in Russia, CIS and Europe.

Nature of services and timing of revenue recognition

The Company enters into contracts to provide credit ratings and surveillance/monitoring services. A rating is the issuance of relative opinions upon evaluation of the creditworthiness of issuers or the credit quality of an individual debt issue and the likelihood that the issue may default. These opinions are primarily intended to provide investors and market participants with information about the relative credit risk of issuers and individual debt issues that the Company rates.

Transaction revenue is recognised at the point in time when the performance obligation is satisfied by issuing a rating on the customer instrument, customer creditworthiness and when the Company has the right to payment and the customer can benefit from the significant risks and rewards of ownership. For non-transaction revenue related to surveillance services, the Company continuously monitors factors that impact the creditworthiness of an issuer over the contractual term, with the revenue recognised to the extent that the performance obligation is progressively fulfilled over the term of the contract. Because surveillance services are continuously provided throughout the term of the contract, the measure of progress towards fulfilment of the Company's obligation to monitor a rating is a time-based output measure with revenue recognised ratably over the term of the contract. For one-time surveillance fees or implicit surveillance fees, the average life of the issue is used to amortise the implicit surveillance fee with start date being the closing/service date and the end date being based on the calculated average lives for each product line.

Contract balances

Contracts billed in advance, are recorded by the Company as a contract liability (deferred revenue) until the performance obligations are satisfied. As of 31 December 2019 and 31 December 2018, contract liabilities were £1.8m and £1.6m respectively and are included in current and non-current liabilities.

Contract assets represent arrangements in which surveillance fees are billed in arrears or revenue is accrued on break fees set up at milestones where the Company has unconditional right to payment. As of 31 December 2019 and 31 December 2018, contract assets were £0.1m and £0.2m respectively and are included in accounts receivable and other current assets.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance obligations being satisfied and the customer's billings. Other changes from cumulative catch up adjustments arising from contract modifications as well as variances with the estimate of the transaction price may occur but estimated to be immaterial overall compared to the total change during the period.

Performance obligations

At contract inception, the Company assesses services promised in its contracts with customers and identify a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations, the Company considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Remaining performance obligations represent the transaction price of contracts for work that has not yet been performed. As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation was £1.8m.

Discounts, variable consideration, payment terms and contract costs

The Company does not offer cash discounts for prompt payment.

The Company require customers to pay invoices within 30 days of being invoiced. Contracts with payment in arrears are recognised as receivables.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

6. Operating expenses

Operating profit is after charging:

	2019	2018
	£000	£000
Employee benefit expense (note 7)	5,006	4,872
Auditor remuneration	39	41
Depreciation (note 11 and note 12)	487	51
Operating lease payments	-	406
Non-recoverable travel expenses	179	164
Marketing	137	133
Foreign exchange (gains)/losses	(1,246)	1,685
Recharges between related parties (note 20)	102	66
Other expenses	418	489
Total administrative expenses	5,122	7,908

During the year the Company obtained the following services from the Company's auditor and its associates:

	2019	2018
	£000	£000
Fees payable to the Company's auditors for the audit of its financial statements	39	41
	39	41

7. Employees benefit expense

	2019	2018
	£000	£000
Wages and salaries	4,217	4,082
Social security costs	688	694
Other staff costs	101	96
	5,006	4,872

The monthly average number of employees during the year, all employed in the principal activity of the Company, was 54 (2018: 54).

8. Finance Costs

	2019	2018
	£000	£000
Finance cost:		
- Unwinding of discount on lease liabilities	63	-
Finance costs	63	-

9. Directors' emoluments

The directors are paid by the immediate parent company which makes no recharge to the Company. These directors are also officers of Fitch Ratings Ltd and other fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments attributable to their duties in respect of each of the individual subsidiaries, which are considered to be insignificant in relation to their overall management responsibilities for the Fitch Ratings group. Accordingly, details of the emoluments of these directors are not disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

10. Tax expense

	2019 £000	2018 £000
Current tax:		
Current tax on income for the year	1,947	1,275
Adjustments in respect of prior periods	6	78
Total current tax	<u>1,953</u>	<u>1,353</u>
Deferred tax (note 15):		
Origination and reversal of temporary differences	(42)	36
Adjustments in respect of prior periods	9	101
Impact of change of tax rates	-	3
Total deferred tax	<u>(33)</u>	<u>140</u>
Tax expense	<u>1,920</u>	<u>1,493</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entity as follows:

	2019 £000	2018 £000
Profit on ordinary activities before taxation	<u>9,299</u>	<u>4,556</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%)	1,767	866
Effects of:		
Expenses not deductible for tax purposes	-	48
Overseas taxation	1,659	1,207
Double tax relief	-	(779)
Adjustments in respect of prior periods	13	148
Branch exemption effective 1 January 2019	(1,519)	-
Difference in tax rates	-	3
Taxation expense for the year	<u>1,920</u>	<u>1,493</u>

The current UK tax rate that has been used for the year is 19.00% (2018: 19.00%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. Property, plant & equipment

	Leasehold improvements £000	Office equipment & furniture £000	Motor vehicles £000	Total £000
At 1 January 2018				
Cost	226	218	20	464
Accumulated depreciation	(177)	(189)	(20)	(386)
Net book amount	48	30	-	78
Year ended 31 December 2018				
Opening net book amount	48	30	-	78
Exchange differences	(4)	(5)	-	(10)
Additions	-	59	-	59
Depreciation charge	(26)	(25)	-	(51)
Closing net book amount	18	58	-	76
At 31 December 2018				
Cost	174	245	17	437
Accumulated depreciation	(156)	(187)	(17)	(361)
Net book amount	18	58	-	76
Year ended 31 December 2019				
Opening net book amount	18	58	-	76
Exchange differences	1	6	-	7
Additions	-	63	-	63
Depreciation charge	(16)	(34)	-	(50)
Closing net book amount	3	92	-	95
At 31 December 2019				
Cost	188	307	-	495
Accumulated depreciation	(185)	(215)	-	(400)
Net book amount	3	92	-	95

12. Right-of-use assets

	Office Premises £000
At 1 January 2019	
Cost	-
Accumulated depreciation	-
Net book amount	-
Year ended 31 December 2019	
Opening net book amount	-
Transition to IFRS 16	1,332
Exchange differences	(111)
Depreciation charge	(437)
Closing net book amount	784
At 31 December 2019	
Cost	1,137
Accumulated depreciation	(353)
Net book amount	784

All right-of-use assets relate to office premises under IFRS 16 with effect from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	254	311
Less: allowance for doubtful debts	-	-
Trade receivables-net	<u>254</u>	<u>311</u>
Prepayments	128	240
Accrued income	97	170
Rent and other deposits	137	142
Receivables from related parties (note 20)	11,923	4,483
Other receivables	<u>16</u>	<u>3</u>
	12,555	5,349
Less non-current portion:		
Rent and other deposits	(137)	(142)
Current portion	<u>12,418</u>	<u>5,207</u>

As of 31 December 2019, trade receivables of £0.3m (2018: £0.3m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2019	2018
	£000	£000
Less than 60 days	254	311
61-90 days	-	-
Over 90 days	-	-
	<u>254</u>	<u>311</u>

Movements on the provision for impairment of trade receivables are as follows:

	2019	2018
	£000	£000
At beginning of year	-	-
Allowance for doubtful debts	-	-
Unused amounts reversed	-	-
Exchange differences	-	-
At end of year	<u>-</u>	<u>-</u>

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2019	2018
	£000	£000
UK pound	68	115
Euros	9	40
US dollar	155	140
Other currencies	<u>22</u>	<u>16</u>
	<u>254</u>	<u>311</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

14. Trade and other payables

	2019 £000	2018 £000
Trade payables	63	-
Accrued expenses and deferred revenue	2,509	2,251
Social security and other taxes	79	70
Other payables	456	79
	<u>3,107</u>	<u>2,400</u>
Less: non-current portion		
Social security and other taxes	(83)	(77)
Non-current portion	<u>(83)</u>	<u>(77)</u>
Current portion	<u>3,024</u>	<u>2,323</u>

15. Deferred tax

The analysis of deferred tax assets is as follows:

	2019 £000	2018 £000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	-	-
- Deferred tax assets to be recovered within 12 months	233	181
	<u>233</u>	<u>181</u>

The gross movement on the deferred tax account is as follows:

	2019 £000	2018 £000
At beginning of the year	181	342
Exchange differences	19	(21)
Income statement credit/ (charges) (note 10)	33	(140)
At end of year	<u>233</u>	<u>181</u>

The deferred tax asset recorded was in respect of deferred income and other provisions.

16. Ordinary shares

	Number of shares No.	Ordinary shares at £ 1 each £
Authorised, issued and fully paid:		
At 31 December 2018 and 2019	<u>1</u>	<u>1</u>

17. Lease liabilities

	2019 £000	2018 £000
Amounts due for settlement within 12 months	746	-
Amounts due for settlement after 12 months	-	-
	<u>746</u>	<u>-</u>
	2019	2018
	£000	£000
Maturity analysis:		
-Not later than 1 year	746	-
-Later than 1 year and no later than 5 years	-	-
-Later than 5 years	-	-
	<u>746</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. Provisions

	2019 £000	2018 £000
At beginning of year	2	16
Charged to the income statement:		
- Unused amounts reversed	(2)	(14)
At end of year	<u>-</u>	<u>2</u>

The provisions relate to deferred rent concessions.

19. Cash generated from operations

	2019 £000	2018 £000
Profit before income tax including discontinued operations	9,299	4,555
Adjustments for:		
- Depreciation	487	51
- Finance costs - net	63	-
- Profit on disposal of property, plant and equipment	(7)	-
- Foreign exchange losses in operating activities	30	(38)
- Trade and other receivables	(7,278)	(1,011)
- Provisions	1	(12)
- Trade and other payables	667	(3,394)
Cash generated from operations	<u>3,262</u>	<u>151</u>

20. Related party transactions

The following transactions in respect of shared services were carried out with related parties:

a) Rating related transactions with related parties

	2019 £000	2018 £000
- Immediate parent	<u>(102)</u>	<u>(66)</u>

b) Key management compensation

Key management excludes directors (note 9) and includes the Head of the Moscow branch.

	2019 £000	2018 £000
Salaries and other short-term employee benefits	461	528
Other long-term benefits	217	205
	<u>678</u>	<u>733</u>

c) Year-end balances arising from operating activities

	2019 £000	2018 £000
Receivables from related parties:		
- Immediate parent	<u>11,923</u>	<u>4,483</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

21. Financial instruments by category

	31 December 2019	
	Financial assets at amortised cost £000	Total £000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	12,427	12,427
Cash and cash equivalents	1,575	1,575
	<u>14,002</u>	<u>14,002</u>
	Financial liabilities at amortised cost £000	
	Total £000	
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	1,312	1,312
	<u>1,312</u>	<u>1,312</u>
	31 December 2018	
	Loans and receivables £000	Total £000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	5,109	5,109
Cash and cash equivalents	1,022	1,022
	<u>6,131</u>	<u>6,131</u>
	Financial liabilities at amortised cost £000	
	Total £000	
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	847	847
	<u>847</u>	<u>847</u>