DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
Together with
INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders of Derayah Financial Company

Opinion

We have audited the financial statements of **Derayah Financial Company** ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as 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 Company in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and the Company's By-Laws 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 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report

To the Shareholders of Derayah Financial Company (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 ISAs as 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 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 ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License No: 460

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Riyadh on: 16 Rajab 1442H
Corresponding to: 28 February 2021

DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amount in Saudi Riyals)

	Notes	**2020**	2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	*6*	**26,694,489**	21,972,380
Intangible assets, net	*7*	**6,086,504**	7,423,880
Investment at amortised cost	*8*	**22,600,044**	6,000,000
Investments at fair value through profit or loss	*9*	**65,019,853**	5,607,143
Investments at fair value through other comprehensive income	*10*	**34,132,418**	31,999,143
TOTAL NON-CURRENT ASSETS		**154,533,308**	73,002,546
CURRENT ASSETS			
Due from related parties	*14*	**21,459,721**	18,845,656
Margin client receivables, net	*11*	**42,291,123**	51,895,193
Prepayments		**1,195,895**	873,569
Other current financial assets	*12*	**32,692,985**	11,104,648
Investments at fair value through profit or loss	*9*	**74,240,860**	68,331,866
Bank balances	*13*	**51,300,216**	11,304,018
TOTAL CURRENT ASSETS		**223,180,800**	162,354,950
TOTAL ASSETS		**377,714,108**	235,357,496
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Employee defined benefit obligations	*15*	**14,880,062**	9,502,912
Lease liability		**--**	791,485
TOTAL NON-CURRENT LIABILITIES		**14,880,062**	10,294,397
CURRENT LIABILITIES			
Due to related parties	*14*	**1,610,985**	263,848
Accrued expenses and other payables	*16*	**71,276,253**	30,420,617
Zakat payable	*17*	**14,488,731**	8,000,000
TOTAL CURRENT LIABILITIES		**87,375,969**	38,684,465
TOTAL LIABILITIES		**102,256,031**	48,978,862
EQUITY			
Share capital	*18*	**161,090,130**	161,090,130
Statutory reserve	*19*	**19,489,943**	9,036,033
Retained earnings		**94,259,322**	16,283,145
Other reserves		**618,682**	(30,674)
TOTAL EQUITY		**275,458,077**	186,378,634
TOTAL LIABILITIES AND EQUITY		**377,714,108**	235,357,496

The attached notes 1 to 35 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December
(Amounts in Saudi Riyals)

	Notes	**2020**	2019
OPERATING INCOME			
Brokerage income, net	*21*	**221,546,687**	62,859,512
Asset management	*21*	**47,101,221**	55,413,937
Special commission income		**5,942,149**	5,355,554
Gain on investments, net	*22*	**596,900**	2,470,372
Dividend income		**2,114,593**	1,814,828
TOTAL OPERATING INCOME		**277,301,550**	127,914,203
OPERATING EXPENSES			
Salaries and employee related expenses	*23*	**(82,144,913)**	(53,699,281)
Other general and administrative expenses	*24*	**(73,116,662)**	(40,620,703)
Impairment charge for credit losses	*25*	**(4,419,763)**	(2,307)
Marketing expenses		**(3,098,678)**	(2,545,558)
TOTAL OPERATING EXPENSES		**(162,780,016)**	(96,867,849)
NET OPERATING INCOME		**114,521,534**	31,046,354
Other income	*26*	**4,926,902**	2,581,166
INCOME BEFORE ZAKAT		**119,448,436**	33,627,520
Zakat	*17*	**(14,909,336)**	(7,848,509)
INCOME FOR THE YEAR		**104,539,100**	25,779,011
Other comprehensive income /(loss) not to be reclassified to income subsequently			
Financial assets at fair value through OCI – net change in fair value	*10*	**2,133,275**	6,460,783
Remeasurement loss on defined benefit plan	*15*	**(1,483,919)**	(296,308)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**649,356**	6,164,475
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**105,188,456**	31,943,486
EARNINGS PER SHARE			
Basic and diluted, earning per share	*27*	**6.49**	1.60

The attached notes 1 to 35 form part of these financial statements

DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2020 and 2019
(Amounts in Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained Earnings	Total
As at 1 January 2019	161,090,130	6,458,132	(6,195,149)	9,191,048	170,544,161
Income for the year	--	--	--	25,779,011	25,779,011
Other comprehensive income for the year	--	--	6,164,475	--	6,164,475
Dividends distribution (note 20)	--	--	--	(16,109,013)	(16,109,013)
Transfer to statutory reserve	--	2,577,901	--	(2,577,901)	--
Balance at 31 December 2019	**161,090,130**	**9,036,033**	**(30,674)**	**16,283,145**	**186,378,634**
Income for the year	--	--	--	**104,539,100**	**104,539,100**
Other comprehensive income for the year	--	--	**649,356**	--	**649,356**
Dividends distribution (note 20)	--	--	--	**(16,109,013)**	**(16,109,013)**
Transfer to statutory reserve	--	**10,453,910**	--	**(10,453,910)**	--
Balance at 31 December 2020	**161,090,130**	**19,489,943**	**618,682**	**94,259,322**	**275,458,077**

The attached notes 1 to 35 form part of these financial statements

STATEMENT OF CASHFLOWS
FOR THE YEARS ENDED 31 DECEMBER
(Amounts in Saudi Riyals)

	Notes	2020	2019
OPERATING ACTIVITIES			
Income before zakat		**119,448,436**	33,627,520
Non-cash adjustment to reconcile income before zakat to net cash flows:			
Depreciation and amortization	*24*	**7,033,438**	6,903,237
Provisions for employee benefit obligations	*15*	**4,038,765**	1,791,056
Gain on investments, net	*22*	**(596,900)**	(2,470,372)
Impairment charge for credit losses	*25*	**4,419,763**	2,307
Fixed assets written off, net		**420,996**	--
Operating cash flows before working capital changes		**134,764,498**	39,853,748
Due from related parties, net		**(2,614,767)**	(6,555,055)
Margin client receivables, net		**5,193,803**	(18,370,250)
Prepayments		**(322,326)**	1,506,920
Other current financial assets	*12*	**(21,589,348)**	(4,583,535)
Accrued expenses and other payables		**42,526,590**	10,113,093
		157,958,450	21,964,921
Zakat paid	*17*	**(8,420,605)**	(3,348,509)
End of service benefits paid	*15*	**(145,534)**	(105,031)
Cash generated from operating activities		**149,392,311**	18,511,381
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**(73,523,502)**	(61,711,600)
Redemption of Investment at amortized cost		**6,000,000**	--
Sale proceeds from financial assets at FVTPL		**8,798,697**	35,005,327
Addition of property and equipment		**(9,266,384)**	(2,970,019)
Purchase of Investment at amortized cost		**(22,607,827)**	--
Purchase of intangible assets	*7*	**(1,572,784)**	(2,652,628)
Cash (used in) / generated from investing activities		**(92,171,800)**	4,471,080
FINANCING ACTIVITIES			
Dividends paid	*20*	**(16,109,013)**	(16,109,013)
Lease liability paid		**(1,115,300)**	(1,473,600)
Cash used in financing activities		**(17,224,313)**	(17,582,613)
NET INCREASE IN BANK BALANCES DURING THE YEAR		**39,996,198**	5,399,848
Cash and cash equivalents at the beginning of the year		11,304,018	5,904,170
BANK BALANCES AT THE END OF THE YEAR		**51,300,216**	11,304,018
NON-CASH SUPPLEMENTAL INFORMATION			
Right of use asset		**1,439,871**	2,492,931
Lease liabilities		**(934,657)**	(1,956,086)

1. ACTIVITIES

Derayah Financial Company (the "Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010266977 dated 10 Jumada II 1436H (corresponding to 15 April 2009). On December 31, 2014 the CMA approved a request from Derayah Finance Company to become a Saudi company after the foreign partners sold their shares in the Company. As a result, the commercial registration changed from a mixed company to 100% Saudi Company on 23 September 2014.

The objective of the Company is to provide a full range of brokerage, advisory, custodian services, dealing as principal and dealing as agent, managing, and arranging. The Company has commenced its business on 8 Rajab 1430H (corresponding to July 1, 2009) under license number 08109-27 from the Capital Market Authority ("CMA"), dated 19 Jumada' II 1429H (corresponding to June 23, 2008). The Company's registered office is located at the following address:

Olaya main street, Olaya Centre
P.O. Box 286546, Riyadh 11323
Kingdom of Saudi Arabia

The Company has a branch in Dammam which operates under Commercial Registration No. 2050101980 dated 23 Shawwal 1435H (corresponding to August 19, 2014) and there is other branch in Jeddah which operates under Commercial Registration No. 4030286122 dated 13 Safar 1437H (corresponding to November 25, 2015).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the by-laws of the Company.

2.2 Basis of measurement and presentation

These financial statements are prepared on a going concern basis under the historical cost convention, except for the following material items in the statement of financial position:

- Investments at fair value through profit or loss ("FVTPL") are measured at fair value;
- Investments at fair value through other comprehensive income ("FVOCI") are measured at fair value;
- Employee defined benefit obligations are recognised at the present value of future obligations using the projected unit credit method.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyal ("SR"); which represents the functional currency of the Company. All the financial information rounded off to nearest Saudi Riyal except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2019.

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.1 Financial instruments

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the statement of comprehensive income or through other comprehensive income ("OCI").

Investments at amortised cost, time deposits, margin client receivables, due from related parties, and other current financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through statement of profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

Debt instruments

The Company recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- *Fair Value through Other Comprehensive Income ("FVOCI")*

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

- *Fair Value through profit or loss ("FVTPL")*

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the statement of comprehensive income and which is not part of a hedging relationship is recognised and presented net in the statement of comprehensive income in the year in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition

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

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

Impairment

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance increases in credit risk since origination, the allowance will be based on the lifetime ECL. For investment in sukuks, margin client receivables, due from related parties, and other current financial assets, the Company applies the general approach.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the year in which they are incurred.

The major categories of property and equipment are depreciated on a straight line basis as follows:

Asset categories	**Useful lives**
Leasehold improvements	Period of lease or 5 years; whichever is shorter
Furniture, fixture and fittings	5 years
Computer and office equipment	4 years
Right of use asset	Period of lease

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment losses and gains and losses on disposals of property and equipment are included in statement of comprehensive income.

Work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalised on the related assets. This includes the cost of contractors, materials, services and capital advances. Work in progress is not depreciated.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property and equipment (Continued)

Right of Use Assets
The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets' value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability by:
- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company's Statement of Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was measured at the amount of lease liability, using the interest rate at the time of first time application

Identifiable intangible assets
Intangible assets comprise mainly of internally developed software. Expenditures on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment, if any.

Amortization is recognized in statement of comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years. Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (continued)

Subsequent expenditures on software assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the statement of comprehensive income as incurred.

3.5 Employee defined benefit obligations

The Company operates a defined benefit scheme for its employees in accordance with labour regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under ‘salaries and employee related expenses’ in the statement of comprehensive income (by nature).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.7 Zakat

The Company is domiciled in the Kingdom of Saudi Arabia. The Company is subject to Zakat in accordance with the Regulations of the General Authority for Zakat and Taxation (“GAZT”) as applicable in the Kingdom of Saudi Arabia. The Zakat charge is computed on the Zakat base. An estimate of Zakat arising therefrom is provided by a charge to the statement of profit or loss.

3.8 Other liabilities

Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted where the effect is material.

3.9 Contingent liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Statutory reserve

As per the Company's by-law, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia having investment grade credit rating.

3.12 Revenue from contracts with customers

The Company generates following revenue streams that are covered under *IFRS 15 Revenue from Contracts with Customers*:
a) Fee and commission income
b) Other operating income

a) Fee and commission income:

Share brokerage service fee income
The performance obligation is satisfied at the point in time at which trade (buy or sell order) is executed by the Client. Hence the Company recognizes the Commission income as and when a trade order is executed.

Subscription fees from investment funds
Performance obligation for Subscription fee is assignment of respective Fund units to Investor’s account and considering that this happens as soon as an Approved Subscription Form is executed, therefore the Company rightfully recognizes the revenue against subscription fee at the time of fulfilment of performance obligation.

Management fees from investment funds
Management fees is computed on daily/weekly/monthly/semi-annually (annual % pro-rated for periodic accrual) with reference to periodic net asset value of the fund. The Company’s practice for recognition of management fee is aligned with IFRS 15 since management fee is recognized on an accrual basis against rendering of asset management services that the Company is providing on an on-going basis.

Performance fee from investment funds
Performance fee income based on a fund’s performance, relative to a benchmark or the realised appreciation of fund’s investments, are types of variable consideration. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, effect of clawback does not apply since the Company does not recognized any revenue against performance fee until the end of respective period for testing of benchmark achievement which is when performance fee is crystallized and recorded as revenue.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Analysis of performance fee at the Company reveals that performance fee income recognition at the Company is in accordance five step model in IFRS 15. The Company performs a daily accrual for performance fee based on defined benchmark as a difference between fund growth and benchmark growth. At the end of relevant period (month or quarter) aggregate growth of fund is compared against benchmark and if it is above Benchmark (a positive aggregate figure consolidation daily accruals), then performance fee is recognized, otherwise it is not recognized.

b) Other operating income

Advisory fee income
This relates to income generated by providing financial advisory services to financial institutions, individual and institutional investors. The Company charges financial advisory service fee upon delivery of services or once performance obligation is fulfilled based on the agreement between the Company and the counterparty.

Miscellaneous service income
This relates to income generated from offering miscellaneous financial services to financial institutions. Income is recognized once performance obligation is fulfilled based on the agreement between counterparty and the Company.

3.13 Gains or loss on investments

This relates to net gains or losses on remeasurement of financial assets held at fair value through profit or loss and gains or losses on derecognition of investments held at fair value through profit or loss and investments held at amortised cost.

3.14 Dividend income

Dividend income is recognised in profit or loss on the date when the Company’s right to receive the payment is established.

3.15 Special commission income and expense

Special commission income and expense recognised in the statement of comprehensive income for all profit-bearing financial instruments using the effective interest method.

3.16 Expenses

Marketing expenses are those which specifically relate to promotion and marketing. All other expenses, other than employee's costs, financial charges and expenses allocated by the Company are classified as other general and administrative expenses.

3.17 Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant and to estimate the most appropriate inputs to the valuation model requires significant judgment.

3.18 Bank overdrafts

The bank overdrafts are the open overdraft facility the company has signed with its bank to meet its liquidity and cash management requirements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Margin client's receivables

The margin client's receivables arise within brokerage business as Shariyah compliant margin financing. Margin client's receivables are recognized when cash/limits are advanced to the customer including the related cost. These are derecognized when borrowers repay their obligation or the balance is sold off or written off, or substantially all the risks and rewards of ownership are transferred to other party. A provision is established against the credit losses based on expected credit loss approach of IFRS 9 compliant with general quantification approach requirements for credit losses in general and when there is objective evidence that the company will not be able to collect all or part of the amounts due according to terms of the margin contract as specific provision.

4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level. The Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

The significant accounting estimate impacted by these forecasts and associated uncertainties is predominantly related to expected credit losses. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

Significant areas where management has used judgements, estimates and assumptions are as follows:

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.1 Impairment - Financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

4.2 Assumptions for employee benefit obligations

Employee benefits represent obligations that will be settled in the future and require assumptions to project these obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits incurred costs.

4.3 Fair value of securities not quoted in an active market

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company invests in redeemable units of unlisted mutual funds, which are also managed by the Company. The funds are open for subscriptions/redemptions on periodic basis as mentioned in terms and conditions.

4.4 Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4.5 Going concern

The financial statements are prepared on a going concern basis, as the management is satisfied that the Company has the resources to continue business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

4.6 Useful lives of intangible assets

The useful life starts at the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Useful lives are reviewed at each financial year-end and adjusted if appropriate.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

a) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

Standard / Amendments	***Description***
IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Conceptual Framework	Amendment to References in IFRS Standards.
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

Standards / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
Amendments to IFRS 16	Leases for Covid -19 rent related concessions	1 June 2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023

(Amounts in Saudi Riyals)

6 PROPERTY AND EQUIPMENT, NET

	Land and building	Leasehold improvements	Computers and office equipment	Furniture, fixtures and fittings	Total
Cost					
At the beginning of the year, 1 January 2020	**15,955,268**	**5,372,624**	**24,932,196**	**1,946,277**	**48,206,365**
Additions during the year	**--**	**--**	**9,112,639**	**153,745**	**9,266,384**
Written off during the year	**--**	**--**	**(1,601,004)**	**--**	**(1,601,004)**
At the end of the period, 31 December 2020	**15,955,268**	**5,372,624**	**32,443,831**	**2,100,022**	**55,871,745**
Accumulated depreciation					
At the beginning of the year, 1 January 2020	**1,162,985**	**4,130,071**	**19,551,003**	**1,389,926**	**26,233,985**
Charge during the year	**1,053,060**	**561,495**	**1,798,628**	**710,096**	**4,123,279**
Written off during the year	**--**	**--**	**(1,180,008)**	**--**	**(1,180,008)**
At the end of the period, 31 December 2020	**2,216,045**	**4,691,566**	**20,169,623**	**2,100,022**	**29,177,256**
Net book value					
As at December 31, 2020	**13,739,223**	**681,058**	**12,274,208**	**--**	**26,694,489**

	Land and building	Leasehold improvements	Computers and office equipment	Furniture, fixtures and fittings	Total
Cost					
At the beginning of the year, 1 January 2019	12,299,352	5,261,323	25,091,034	2,035,614	44,687,323
Recognition of right of use asset on initial application of IFRS 16	3,655,916	111,301	--	--	--
Additions during the year	--	--	2,667,612	191,106	6,625,935
Written off during the year	--	--	(2,826,450)	(280,443)	(3,106,893)
At the end of the period, 31 December 2019	15,955,268	5,372,624	24,932,196	1,946,277	48,206,365
Accumulated depreciation					
At the beginning of the year, 1 January 2019	--	3,570,870	20,531,805	1,508,485	25,611,160
Charge during the year	1,162,985	559,201	1,845,648	161,884	3,729,718
Written off during the year	--	--	(2,826,450)	(280,443)	(3,106,893)
At the end of the period, 31 December 2019	1,162,985	4,130,071	19,551,003	1,389,926	26,233,985
Net book value					
As at December 31, 2019	14,792,283	1,242,553	5,381,193	556,351	21,972,380

(Amounts in Saudi Riyals)

7 INTAGIBLE ASSETS, NET

Intangible assets comprise mainly of internally developed software.:

	Work in Progress	**Software**	**Total**
Cost			
At the beginning of the year, 1 January 2020	**512,535**	**37,877,359**	**38,389,894**
Additions during the year	--	**1,572,784**	**1,572,784**
Transfers from work in progress during the year	**(512,535)**	**512,535**	--
At the end of the year, 31 December 2020	--	**39,962,678**	**39,962,678**
Accumulated amortization			
At the beginning of the year, 1 January 2020	--	**30,966,014**	**30,966,014**
Charge during the year	--	**2,910,160**	**2,910,160**
At the end of the year, 31 December 2020	--	**33,876,174**	**33,876,174**
Net book value			
As at 31 December 2020	--	**6,086,504**	**6,086,504**

	Work in Progress	Software	Total
Cost			
At the beginning of the year, 1 January 2019	845,368	34,891,898	35,737,266
Additions during the year	--	2,652,628	2,652,628
Transfers from work in progress during the year	(332,833)	332,833	--
At the end of the year, 31 December 2019	512,535	37,877,359	38,389,894
Accumulated amortization			
At the beginning of the year, 1 January 2019	--	27,792,495	27,792,495
Charge during the year	--	3,173,519	3,173,519
At the end of the year, 31 December 2019	--	30,966,014	30,966,014
Net book value			
As at 31 December 2019	512,535	6,911,345	7,423,880

8 INVESTMENT AT AMORTISED COST

	31 December	
	2020	2019
Investment at Amortised cost (note 8.1)	**22,607,827**	6,000,000
Impairment charge for credit losses (note 8.2)	**(7,783)**	--
	22,600,044	6,000,000

8.1 The breakup of the investment is as follows;

	Maturity date	**31 December 2020**	31 December 2019
Al Bilad Bank sukuk	30 August 2026	--	6,000,000
SABB Sukuk	22 July 2030	**5,000,000**	--
KSA Sukuk	23 March 2025	**5,142,878**	--
KSA Sukuk 1	24 October 2023	**2,666,183**	--
KSA Sukuk 2	23 January 2024	**2,627,392**	--
KSA Sukuk 3	26 July 2024	**2,519,426**	--
KSA Sukuk 4	25 July 2023	**2,651,948**	--
BSF Tier 1 Capital Sukuk	Perpetual	**2,000,000**	--
		22,607,827	6,000,000

(Amounts in Saudi Riyals)

8 INVESTMENT AT AMORTISED COST (CONTINUED)

The sukuks are earning commission income at profit rates ranging from 1.64% to 4.5%.

8.2 The Company has assessed the impairment on investment at amortised cost during the year and an impairment charge of SR 7,783 has been recorded (31 December 2019: Nil).

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL consists of investments in local and regional equities. The movements are set out below:

	31 December 2020		
	Cost	**Unrealized Gain / (Loss)**	**Fair Value**
Current investments at FVTPL			
Money market fund (note 9.1)	**50,036,597**	**705,010**	**50,741,607**
Local equities listed in Tadawul (9.2)	**1,239,227**	**82,615**	**1,321,842**
Real estate fund (9.3)	**23,527,707**	**(1,350,296)**	**22,177,411**
Total current investments at FVTPL	**74,803,531**	**(562,671)**	**74,240,860**
Non-current investments at FVTPL			
Mutual funds (9.4)	**64,262,529**	**757,324**	**65,019,853**
Total non-current investments at FVTPL	**64,262,529**	**757,324**	**65,019,853**
Total investments at FVTPL	**139,066,060**	**194,653**	**139,260,713**

	31 December 2019		
	Cost	Unrealized Gain / (Loss)	Fair Value
Current investments at FVTPL			
Mutual funds	668,200	33,029	701,229
Money market fund	40,160,000	(123,403)	40,036,597
Local equities listed in Tadawul	989,025	250,203	1,239,228
Treasury bill	2,661,469	165,636	2,827,105
Real estate fund	25,870,752	(2,343,045)	23,527,707
Total current investments at FVTPL	70,349,446	(2,017,580)	68,331,866
Non-current investments at FVTPL			
Mutual fund	5,521,796	85,347	5,607,143
Total non-current investments at FVTPL	5,521,796	85,347	5,607,143
Total investments at FVTPL	75,871,242	(1,932,233)	73,939,009

(Amounts in Saudi Riyals)

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

9.1 Investments in money market fund represents 1,324,322 units (31 December 2019: 1,261,740 units) in Al Rajhi Commodity Fund, Al-Mubarak SAR Trade Fund and Al Yusr Morabaha & Sukuk Fund.

9.2 Investment in local equities represents equities listed in Tadawul.

9.3 Investment in real estate fund represents 22,705 units (31 December 2019: 22,705 units) in the Company's managed unlisted Durrat Al Khaleej Real Estate Fund.

9.4 Investment in mutual fund represents 680,048 units (31 December 2019: 276,697 units) in the Company's managed unlisted Derayah Healthcare Fund, Trading Finance Fund, Derayah Asia Venture Capital fund and Derayah Venture Capital Fund. The investment has been treated as non-current because the funds have termination date after one year from the reporting date.

10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020		
	Cost	***Unrealized Gain***	***Fair Value***
REIT fund (note 10.1)	**30,814,103**	**3,318,315**	**34,132,418**

	31 December 2019		
	Cost	***Unrealized Gain***	***Fair Value***
REIT fund (note 10.1)	30,814,103	1,185,040	31,999,143

10.1 Investments in REIT fund represents 3,047,537 units (31 December 2019: 3,047,537 units) in Derayah REIT fund that is a listed fund in Tadawul and managed by the Company.

11 MARGIN CLIENT RECEIVABLES, NET

	31 December	
	2020	2019
Margin client receivables	**46,706,500**	51,900,303
Impairment charge for credit losses (note 11.1)	**(4,415,377)**	(5,110)
	42,291,123	51,895,193

11.1 Movement of impairment charge for credit losses

	31 December	
	2020	2019
Balance at the beginning of the year	**5,110**	2,803
Impairment charge for the year	**4,410,267**	2,307
Balance at the end of the year	**4,415,377**	5,110

(Amounts in Saudi Riyals)

12 OTHER CURRENT FINANCIAL ASSETS

	31 December	
	2020	2019
Other current financial assets	**32,693,996**	11,104,648
Impairment charge for credit losses	**(1,011)**	--
	32,692,985	11,104,648

	31 December	
	2020	2019
12.1 Other current financial assets		
Employees loans and advances	**4,052,085**	4,874,947
Brokerage receivables	**5,552,354**	2,381,270
Other receivables	**23,089,557**	3,848,431
	32,693,996	11,104,648

12.2 Other receivables includes receivables amounting to SAR 21.05 million on the establishment of a new company. The overall structure of a new Company is under development phase and is expected to be completed and licensed by the relevant authorities in near future. Based on the commitment letter agreed from the prospective investors, on successful completion of the licensing process and formation of the new Company, Derayah will be entitled for an investment share in the new company and accordingly the receivable will be classified as investments in the financial statements of the Company.

13 BANK BALANCES

	31 December	
	2020	2019
Cash at banks	**51,300,216**	11,304,018

The Bank Balance is maintained with local Saudi Banks having investment grade credit rating.

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of group companies including its affiliates, its shareholders, funds managed by the Company. The Company and its related parties transact with each other in the ordinary course of business.

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

(Amounts in Saudi Riyals)

14 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

		For the year ended 31 December	
Name of related party	***Nature of transaction***	**2020**	2019
Derayah REIT	*Transaction fees*	**5,675,775**	2,479,477
Derayah REIT	*Management fees*	**8,455,387**	8,729,694
Derayah Healthcare fund	*Management fees*	**991,630**	1,058,986
Derayah Real Estate Income Fund II	*Management fees*	**1,916,667**	--
Derayah Real Estate Income Fund III	*Management fee*	**3,895,500**	1,599,065
Derayah Real Estate Income Fund III	*Transaction fees*	**1,125,000**	10,344,938
Derayah Trade Finance Fund	*Management fees*	**6,480,734**	4,273,048
Derayah Trade Finance Fund	*Performance fee*	--	3,375,013
Derayah IPO Fund	*Management fees*	**238,799**	366,239
Derayah Asia Venture Capital Fund	*Management fees*	**3,372,866**	592,764
Derayah Venture Capital Fund	*Management fees*	**2,792,132**	1,088,883
Derayah Private Fund 10	*Management fees*	**332,548**	317,445
Derayah Free Style Fund	*Management fees*	**200,344**	204,334
Derayah Private Fund 100	*Management fees*	--	89,116
Durat Al Khalij Real Estate Fund	*Payments made on behalf of the Company*	**3,912,374**	3,870,265
Derayah Education Fund	*Payments made on behalf of the Company*	**1,448,388**	--
Derayah Credit Fund	*Payments made on behalf of the Company*	**146,538**	--

The summary of compensation to key management personnel for the years are as follows:

	For the year ended 31 December	
	2020	2019
Salaries and employee related benefits	**29,217,379**	16,527,010
Board of Directors remuneration	**1,650,000**	1,300,000

	31 December	
	2020	2019
Due from related parties	**21,460,423**	18,845,656
Impairment charge for credit losses	**(702)**	--
	21,459,721	18,845,656

Balances resulting from transactions with related parties is as follow:

		31 December	
	Nature of Balance	**2020**	2019
Related party receivables			
Derayah REIT	*Management fee receivable*	**4,922,691**	4,613,296
Derayah Real Estate Income Fund II	*Management fee receivable*	**1,040,574**	1,730,292
Derayah Real Estate Income Fund III	*Management fee receivable*	**2,258,323**	2,947,955
Durat Al Khalij Real Estate Fund	*Management fee receivable*	**9,150,621**	5,342,977
Derayah Education Fund	*Due from related party*	**--**	1,448,388
Derayah Health Care Fund	*Management fee receivable*	**574,875**	589,385
Derayah Credit Fund	*Due from related party*	**--**	146,538
Derayah Venture Capital Fund	*Management fee receivable*	**1,901,186**	1,304,044
Derayah IPO Fund	*Management fee receivable*	**--**	29,543
Derayah Private Fund 10	*Management fee receivable*	**--**	34,580
Derayah Freestyle Saudi Equity Fund	*Management fee receivable*	**--**	36,255
Derayah Asia Venture Capital Fund	*Management fee receivable*	**1,612,153**	622,403
		21,460,423	18,845,656

(Amounts in Saudi Riyals)

14 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Nature of Balance	31 December 2020	31 December 2019
Related party payables			
Derayah trading finance fund	*Custody fee payable*	**(1,258,131)**	(263,848)
Derayah freestyle Saudi equity fund	*Custody fee payable*	**(97,304)**	--
Derayah IPO Fund	*Custody fee payable*	**(97,580)**	--
Derayah Fund 10 Class A	*Custody fee payable*	**(54,873)**	--
Derayah Real Estate Income Fund III	*Custody fee payable*	**(103,097)**	--
		(1,610,985)	(263,848)

14.1 The Company has assessed the impairment of related party receivables during the year and an impairment charge of SR 702 has been recorded (31 December 2019: Nil).

15 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

The movement in provision for end-of-service benefits for the years ended as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at beginning of the year	**9,502,912**	7,520,579
Current service cost	**2,864,262**	1,490,233
Interest cost	**278,435**	300,823
Adjustment for prior year	**896,068**	--
Amount recognized in profit or loss account	**4,038,765**	1,791,056
Remeasurement loss		
Actuarial loss arising from:		
Demographic assumptions	**--**	103,312
Financial assumptions	**542,262**	31,287
Experience assumptions	**941,657**	161,709
Actuarial losses recognised in OCI	**1,483,919**	296,308
Benefits paid during the year	**(145,534)**	(105,031)
Balance at the end of the year	**14,880,062**	9,502,912

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2020 arising from the end of service benefits to qualifying in-service employees.

Significant actuarial assumptions
The following were the principal actuarial assumptions:

Key actuarial assumptions	31 December 2020	31 December 2019
Financial assumptions		
Discount rate used	**3%**	2.93%
Salary growth rate	**3%**	2.50%
Demographic assumptions		
Retirement age	**60**	60

(Amounts in Saudi Riyals)

15 EMPLOYEE DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis
Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary increase and discount rate assumptions that were performed at the previous and current valuation date:

	31 December	
	2020	2019
Discount Rate +1%	**(1,358,017)**	(890,538)
Discount Rate -1%	**1,582,130**	1,040,232
Long Term Salary Increases +1%	**1,407,576**	932,232
Long Term Salary Increases -1%	**(1,237,907)**	(817,409)

16 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	2020	2019
Bonus payable	**24,837,456**	14,000,000
Accounts and other payables	**28,365,871**	11,152,350
Accrued salaries	**3,677,540**	1,677,113
VAT payable	**7,884,330**	1,299,604
Current portion of lease liability	**934,657**	1,164,601
GOSI Payable	**548,968**	400,310
Accounts payable	**4,977,431**	676,639
Others	**50,000**	50,000
	71,276,253	30,420,617

17 ZAKAT PAYABLE

Movement in provision for zakat during the years ended 31 December 2020 and 2019, is as follows:

		31 December	
	Notes	**2020**	2019
At the beginning of the year		**8,000,000**	3,500,000
Zakat charge	*17.1 & 17.2*	**14,909,336**	7,848,509
Paid during the year		**(8,420,605)**	(3,348,509)
At the end of the year		**14,488,731**	8,000,000

17.1 Components of zakat base and provision
The significant components of the zakat base under zakat and income tax regulations are principally comprised of equity, provisions at the beginning of year and estimated zakat income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

(Amounts in Saudi Riyals)

17 ZAKAT PAYABLE (CONTINUED)

	31 December	
	2020	2019
Equity	**196,035,644**	175,178,301
Book value of long-term assets	**(32,780,987)**	(26,903,329)
Dividends	**(16,109,013)**	--
	147,145,644	148,274,972
Impact of conversion of Hijri to Gregorian year	**4,572,322**	4,607,414
	151,717,966	152,882,386
Adjusted net income for the year	**126,207,190**	35,425,347
Zakat base	**277,925,156**	188,307,733
Zakat charge for the year @ 2.5%	**6,948,129**	4,707,693

17.2 Status of assessments

The company has filed its zakat and tax returns for the years since inception and has settled the zakat and tax liability as per the returns. During the year 2018, the GAZT has issued the assessment against the years 2010 to 2013 claiming an additional zakat, income tax and withholding tax liability amounting to SR 4.7 million, SR 0.049 million and SR 0.65 million respectively. During 2020 the company has reached an agreement with GAZT to pay SR 3.04 Million as a final settlement for the ZAKAT that relates to the period 2010-2013

Also during 2020, GAZT issued an assessment against the years 2014-2018 claiming an additional zakat liability amounting to SR 6.57 million. The company has fully provided for the amount in addition to filing an objection against GAZT.

18 SHARE CAPITAL

	31 December	
	2020	2019
Ordinary share capital (SR 10 per share)	**161,090,130**	161,090,130

Authorised, issued and fully paid ordinary share capital of SR 161 million (31 December 2019: SR 161 million) is divided into 16,109,013 shares (31 December 2019: 16,109,013 shares) of SR 10 each.

19 STATUTORY RESERVES

The Saudi Arabian Regulations for Companies issued on 6 May, 2016 (corresponding to Rajab 28, 1437H) requires companies to set aside 10% of their annual net income to a statutory reserve until such reserve reaches 30% of the share capital. The reserve is not available for distribution to the shareholders of the Company.

20 DIVIDENDS

The Board of Directors, through the power vested by the shareholders during the Annual General Assembly, in their meeting held on 27 Muharram 1442AH (corresponding 15 Sept 2020) & 29 Rabi Alawal 1442AH (corresponding 18 November 2020) approved the interim cash dividend of 5% of share capital at SR 0.50 per share for distribution from the retained earnings. Total cash dividend declared and paid during the year amounting to SR 16,109,013 (2019: SR 16,109,013).

(Amounts in Saudi Riyals)

21 REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the year ended 31 December 2020		
	Brokerage Fees	Asset Management	Total
Segments			
Types of service			
Brokerage services	**281,273,671**	--	**281,273,671**
Discount related expenses	**(59,726,984)**	--	**(59,726,984)**
Asset management services	--	**47,101,221**	**47,101,221**
Total revenue from contracts with customers	**221,546,687**	**47,101,221**	**268,647,908**
Geographical Markets			
Saudi Market	116,258,463	47,101,221	163,359,684
Non-Saudi Market	105,288,224	--	105,288,224
Total revenue from contracts with customers	**221,546,687**	**47,101,221**	**268,647,908**

	For the year ended 31 December 2019		
	Brokerage Fees	Asset Management	Total
Segments			
Types of service			
Brokerage services	119,198,235	--	119,198,235
Discount related expenses	(56,338,723)	--	(56,338,723)
Asset management services	--	55,413,937	55,413,937
Total revenue from contracts with customers	62,859,512	55,413,937	118,273,449
Geographical Markets			
Saudi Market	34,411,332	55,413,937	89,825,269
Non-Saudi Market	28,448,180	--	28,448,180
Total revenue from contracts with customers	62,859,512	55,413,937	118,273,449

Performance obligations

Information about the Company’s performance obligations are summarised below:

Brokerage services:
This consist of a separate and distinct performance obligation i.e. to act as a broker (agent) in providing trading facility on stock exchange or capital markets to client against the commission. The performance obligation is complete for buy orders when a buy order is executed; and similarly, for a sell order when it is executed on behalf of its principals (clients). Clients can directly place buy/sell order using internet-based trading platform or use Company’s phone call or email service for placing orders.

Discount related expenses:
This consist of a separate and distinct performance obligation i.e. as a broker company provides a discount on the basis of contract with each customer. The performance obligation is complete when customers achieve the required benchmark as per the contract.

(Amounts in Saudi Riyals)

21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Asset management services:
This consist of a separate and distinct performance obligation i.e. to provide asset management services to the mutual funds under the Company's management. As per the terms and condition of the funds, the management fees is computed on daily/weekly/monthly/semi-annually (annual % pro-rated for periodic accrual) with reference to periodic net asset value of the fund. The Company's practice for recognition of management fee is aligned with IFRS 15 since management fee is recognized on an accrual basis against rendering of asset management services that the Company is providing on an on-going basis.

All performance obligations are expected to be recognised within one year.

22 GAIN ON INVESMENTS, NET

	For the year ended 31 December	
	2020	2019
Unrealized gain on investments at fair value through profit or loss, net	**194,654**	313,108
Realized gain on investments at fair value through profit or loss, net	**402,246**	2,157,264
	596,900	2,470,372

23 SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December	
	2020	2019
Salaries and employee related expenses	**75,342,350**	49,393,829
GOSI expense	**2,763,798**	2,514,396
End of service benefit	**4,038,765**	1,791,056
	82,144,913	53,699,281

24 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

		For the year ended 31 December	
	Note	**2020**	2019
Professional expenses		**23,704,214**	11,981,914
Commission expenses		**29,449,315**	12,919,091
Utilities		**3,071,216**	2,719,333
IT expenses		**5,783,970**	3,884,083
Amortization	*7*	**2,910,160**	3,173,519
Depreciation	*6*	**4,123,279**	3,729,718
Office expenses		**1,728,675**	1,210,219
Office maintenance		**1,599,411**	440,405
Finance charges		**564,607**	527,460
Other general and administrative expenses		**181,815**	34,961
		73,116,662	40,620,703

(Amounts in Saudi Riyals)

25 IMPAIRMENT CHARGE FOR CREDIT LOSSES

		For the year ended 31 December	
		2020	2019
Margin client receivables	*25.1*	**4,410,267**	2,307
Other current financial asset		**1,011**	--
Related party		**702**	--
Sukuk		**7,783**	--
		4,419,763	2,307

25.1 This includes SR 4,402,500 held as an overlay against certain specific customers.

26 OTHER INCOME

	For the year ended 31 December	
	2020	2020
Foreign exchange gains, net	**4,077,004**	2,239,528
Others	**849,898**	341,638
	4,926,902	2,581,166

27 EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares.

	31 December	
	2020	2019
Income for the year	**104,539,100**	25,779,011
Weighted average number of ordinary shares	**16,109,013**	16,109,013
Basic and diluted, earnings per share	**6.49**	1.60

(Amounts in Saudi Riyals)

28 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company:

	31 December	
	2020	2019
Financial assets at amortised cost		
Investment at amortised cost	**22,600,044**	6,000,000
Due from related parties	**21,459,721**	18,845,656
Margin client receivables, net	**42,291,123**	51,895,193
Other current financial assets	**32,692,985**	11,104,648
Financial assets at fair value through OCI		
Investment in a listed managed fund – REIT	**34,132,418**	31,999,143
Financial assets at fair value through profit or loss		
Investment in listed managed funds	**50,741,607**	40,737,826
Investment in unlisted managed funds	**87,197,264**	29,134,850
Investment in discretion portfolio management (DPM)	**1,321,842**	1,239,228
Investment in treasury bills	**--**	2,827,105
Total financial assets	**292,437,004**	193,783,649
Total current	**170,684,689**	150,177,363
Total non-current	**121,752,315**	43,606,286

Set out below is an overview of financial liabilities held by the Company:

	31 December	
	2020	2019
Financial liabilities at amortised cost		
Lease liability	**--**	791,485
Due to related parties	**1,610,985**	263,848
Accrued expenses and other payables	**62,842,955**	28,720,703
Total financial liabilities	**64,453,940**	29,776,036
Total current liabilities	**64,453,940**	28,984,551
Total non-current liabilities	**--**	791,485

29 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2020 and 31 December 2019 which are measured at fair value. There are no financial liabilities measured at fair value.

(Amounts in Saudi Riyals)

29 FAIR VALUE HIERARCHY (CONTINUED)

	Fair value measurement using			
	Total	**(Level 1)**	**(Level 2)**	**(Level 3)**
As at 31 December 2020				
Financial assets measured at fair value				
Investment in listed managed funds	**50,741,607**	**50,741,607**	**--**	--
Investment in unlisted managed funds	**87,197,264**	**--**	**87,197,264**	--
Investment in DPM	**1,321,842**	**1,321,842**	--	--
Investment in a listed managed fund – FVOCI	**34,132,418**	**34,132,418**	--	--
As at 31 December 2019				
Financial assets measured at fair value				
Investment in listed managed funds	40,737,826	40,737,826	--	--
Investment in unlisted managed funds	29,134,850	--	29,134,850	--
Investment in DPM	1,239,228	1,239,228	--	--
Investment in treasury bills	2,827,105	--	2,827,105	--
Investment in a listed managed fund – FVOCI	31,999,143	31,999,143	--	--

There were no transfers between levels during the year ended 31 December 2020 and 31 December 2019.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to various risks such as market risk (which includes interest rate risk, currency risk and, price risk), liquidity risk, credit risk and investment holding period risk arising from the financial instruments it holds.

Risk management structure

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has established an appropriate Risk Management structure by creating a Risk and Compliance Committee which meets quarterly and receive reports from a dedicated Risk Management function. Day-to-day risk management activities are managed within each respective business unit. The Risk and Compliance Committee Board of Directors meets quarterly and is updated on all relevant aspects of the business, including risk management matters.

The Company has exposure to the following risks arising from financial instruments:
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Risk measurement and reporting system
The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Company monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

Risk mitigation
The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

The Company adopts diversification strategy with predefined investment guidelines for investment instruments this mitigates risks and stabilizes the return on investments.

Excessive risk concentration
Concentration indicates the relative sensitivity of the Company's performance to developments affecting a industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use alternative investment instruments to manage excessive risk concentrations when they arise

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be satisfactory. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions. The prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around adjusting macroeconomic factors used by the Company in the estimation of ECL.

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position.

	31 December	
	2020	2019
Investment at amortised cost	**22,600,044**	6,000,000
Due from related parties	**21,459,721**	18,845,656
Margin client receivables, net	**42,291,123**	51,895,193
Other current financial assets	**32,692,985**	11,104,648
Investment in a listed managed fund – REIT	**34,132,418**	31,999,143
Investment in a listed managed fund	**50,741,607**	40,737,826
Investment in unlisted managed funds	**87,197,264**	29,134,850
Investment in discretionary portfolio management (DPM)	**1,321,842**	1,239,228
Investment in treasury bills	**--**	2,827,105
	292,437,004	193,783,649

Analysis of credit quality

The Company has debt securities with counterparties having the following credit quality:

		31 December	
Issuer	**Credit rating (As per Moody's)**	**2020**	2019
Al Bilad Bank sukuk	A 3	--	6,000,000
SABB Sukuk	Unrated	**4,998,091**	**--**
KSA Sukuk	A 1	**5,140,954**	**--**
KSA Sukuk 1	A 1	**2,665,235**	**--**
KSA Sukuk 2	A 1	**2,626,440**	**--**
KSA Sukuk 3	A 1	**2,518,459**	**--**
KSA Sukuk 4	A 1	**2,650,999**	**--**
BSF Tier 1 Capital Sukuk	Unrated	**1,999,866**	**--**
EFG Hermes	B 2	--	2,827,105
		22,600,044	8,827,105

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

As at the reporting date, the Company's debt securities exposures were concentrated in the following economic sectors:

	31 December	
	2020	2019
Banks	**22,600,044**	8,827,105

Amounts arising from ECL
Impairment on money market securities, investments at amortized cost, marginal client receivables and other assets has been measured on a life-time expected loss basis. The Company considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

12-month and lifetime probabilities of default are based on the approved ECL Methodology and impairment policy of the Company. Loss given default parameters generally reflect an assumed recovery rate which are linked to the composite credit ratings of the counterparties. However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate.

The Company has recorded expected credit loss on money market placements, investments at amortized cost and other assets amounting to SR 4,424,873 as at 31 December 2020 (31 December 2019: SR 5,110)

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and customers responses could result in significant adjustments to the allowance in future financial years.

Cash and cash equivalents
Credit risk on cash and cash equivalents is limited as these are held with banks with sound credit ratings.

Other financial assets
Other financial assets include dividend receivable. Credit risk attached to other financial assets is not significant and the Fund expects to recover these fully at their stated carrying amounts.

Credit concentration
Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date.

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents ,time deposits , due from related parties and other financial assets

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that enough funds are always available from Shareholders and related parties to meet any future commitments, and financing facilities are available.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

	On Demand	**Within 3 months**	**3 months to 1 year**	**Above 1 year**	**No fixed maturity**	**Total**
31 December 2020						
Financial Assets						
Investment at amortised cost	**--**	**--**	**--**	**22,600,044**	**--**	**22,600,044**
Investments at FVTPL	**--**	**52,063,449**	**75,110,477**	**12,086,787**	**--**	**139,260,713**
Investments at FVOCI	**--**			**34,132,418**	**--**	**34,132,418**
Due from related parties	**--**	**12,309,100**	**9,150,621**	**--**	**--**	**21,459,721**
Margin client receivables, net	**--**	**26,313,496**	**15,977,627**	**--**	**--**	**42,291,123**
Other current financial assets	**--**	**11,640,170**	**--**	**--**	**21,052,815**	**32,692,985**
Bank balances	**--**	**51,300,216**	**--**	**--**	**--**	**51,300,216**
Total financial assets	**--**	**153,625,742**	**100,238,725**	**68,819,249**	**21,053,504**	**343,737,220**
Financial Liabilities						
Lease liability		**--**	**--**	**934,657**	**--**	**934,657**
Due to related parties	**--**	**1,610,985**	**--**	**--**	**--**	**1,610,985**
Accrued expenses and other payables	**--**	**59,115,415**	**3,677,540**	**--**	**50,000**	**62,842,955**
Total financial liabilities	**--**	**60,276,400**	**3,677,540**	**934,657**	**50,000**	**65,388,597**

	On Demand	Within 3 months	3 months to 1 year	Above 1 year	No fixed maturity	Total
31 December 2019						
Financial Assets						
Investment at amortised cost	--	--	--	6,000,000	--	6,000,000
Investments at FVTPL	--	--	5,446,457	68,492,552	--	73,939,009
Investments at FVOCI	--	--	--	31,999,143	--	31,999,143
Due from related parties	--	18,845,656	--	--	--	18,845,656
Margin client receivables, net	--	20,401,593	31,493,600	--	--	51,895,193
Other current financial assets	--	8,235,043	--	--	2,869,605	11,104,648
Bank balances	--	11,304,018	--	--	--	11,304,018
Total financial assets	--	61,655,915	36,940,057	106,491,695	--	205,087,667
Financial Liabilities						
Lease liability	--	--	--	906,342	--	906,342
Due to related parties	--	263,848	--	--	--	263,848
Accrued expenses and other payables	--	27,506,102	1,164,601	--	50,000	28,720,703
Total financial liabilities	--	27,769,950	1,164,601	906,342	50,000	29,840,893

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. Company's investments in debt securities carry fixed interest rates and mature within five years.

Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The investment manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and/or industry concentration.

Sensitivity analysis

The table below sets out the effect on profit or loss and other comprehensive income of a reasonably possible weakening / strengthening in the individual equity market prices by 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, commission and foreign currency rates, remain constant.

	31 December		
Effect on profit and loss	**2020**		2019
	SR		SR
Net gain (loss) on investments held at FVTPL	29,845	+ 5%	123,519
	29,845	- 5%	123,519

	31 December		
Effect on other comprehensive income	**2020**		2019
	SR		SR
Net gain (loss) on investments held at FVOCI	106,664	+ 5%	323,039
	106,664	- 5%	323,039

Concentration of equity price risk

The following table analyses the Company's concentration of equity price risk in the Fund's equity portfolio, measured at FVTPL and FVOCI, by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

% of equity securities and units in managed funds

	31 December	
	2020	2019
Kingdom of Saudi Arabia	100%	100%

The following table analyses the Company's concentration of equity price risk in the Fund's equity portfolio by industrial distribution:

% of equity securities and units in managed funds

	31 December	
	2020	2019
REIT Funds	**20%**	55%
Listed	**29%**	40%
Unlisted Funds	**51%**	5%

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US dollars during the year.

31 SEGMENTAL REPORTING

The Company is organized into the following major business segments:

Brokerage
The brokerage division provides brokerage services and facilities in trading in local and international, and regional equities, options, indices, Islamic certificates and regional equities.

Investment
The investment division is engaged in managing the proprietary of investments in the Company

Asset Management
Fees from asset management of discretionary portfolio management, funds, real estate management, and alternative investments.

Murabaha
Special commission income from Murabaha.

Others
Other segment is the residual segment of the Company.

The Company's total assets and liabilities, operating income and expenses, and net income, by business segments, are as follows:

(Amounts in Saudi Riyals)

31 SEGMENTAL REPORTING (CONTINUED)

31 December 2020	**Brokerage**	**Asset management**	**Murabaha**	**Investment**	**Other**	**Total**
Total assets	**296,502,028**	**63,036,861**	**7,952,543**	**3,628,866**	**6,593,810**	**377,714,108**
Total liabilities	**80,270,025**	**17,065,551**	**2,152,938**	**982,419**	**1,785,098**	**102,256,031**
Total operating income	**221,546,687**	**47,101,221**	**5,942,149**	**2,711,493**	**--**	**277,301,550**
Other income					**4,926,902**	**4,926,902**
Operating expenses	**(127,780,785)**	**(27,166,423)**	**(3,427,235)**	**(1,563,899)**	**(2,841,674)**	**(162,780,016)**
Net income before zakat	**93,765,902**	**19,934,798**	**2,514,914**	**1,147,594**	**2,085,228**	**119,448,436**

31 December 2019	Brokerage	Asset management	Murabaha	Investment	Other	Total
Total assets	113,371,513	99,942,898	9,659,115	7,728,657	4,655,313	235,357,496
Total liabilities	23,593,078	20,798,528	2,010,101	1,608,365	968,790	48,978,862
Total operating income	62,859,512	55,413,937	5,355,554	4,285,200	--	127,914,203
Other income	--	--	--	--	2,581,166	2,581,166
Operating expenses	(46,661,164)	(41,134,248)	(3,975,474)	(3,180,941)	(1,916,022)	(96,867,849)
Net income before zakat	16,198,348	14,279,689	1,380,080	1,104,259	665,144	33,627,520

The Company's assets, liabilities, and operations are entirely in Saudi Arabia.

32 COMMITMENTS AND CONTINGENCIES

Derayah Financial Company, in the normal course of business, has not committed any guarantees during the period and has no outstanding guarantees from prior years.

As at 31 December 2020, Derayah Financial Company does not have any capital commitments.

33 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

		31 December	
		2020	2019
Capital base:			
	Tier 1 Capital	**266,054**	177,770
	Tier 2 Capital	**3,318**	1,185
	Total Capital base	**269,372**	178,955
Minimum capital requirement:			
	Credit risk	**72,357**	72,098
	Market risk	**8,542**	6,568
	Operational risk	**44,422**	24,217
	Total minimum capital required	**125,321**	102,883
Capital adequacy ratio:			
	Total Capital ratio (times)	**2.15**	1.74
	Surplus in the Capital	**144,051**	76,072

33 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO (CONTINUED)

a) The capital base consists of Tier 1 capital (which includes share capital and audited retained earnings) and Tier 2 capital as per article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

d) The minimum capital base required as per Article 6(g) of the Authorised Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

e) The Company is required to disclose on an annual basis certain information as per Pillar III of the Prudential Rules for public on the Company's website. However, these are not subject to review or audit by the external auditors of the Company.

f) The company has an arrangement in relation to International Trading Margin provided to clients by the International brokerage service provider. The risk charge and the related impact was taken in credit risk and Capital Adequacy Ratio respectively in accordance with the Prudential Rules.

34 ASSETS UNDER MANAGEMENT

These represent client's cash accounts with the Company as at 31 December 2020 SR 5,654 million (2019: SR 4,565 million) to be used for the purpose of making investment on behalf of the clients.

Consistent with its accounting policy, such balances are not included in the Company's financial statements.

35 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board on 11 February 2021 (corresponding to 29 Jumadal-Akhirah 1442 H).