Derayah Financial Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2018

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Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Derayah Financial Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of Derayah Financial Company - A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and 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 are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Derayah Financial Company
(A Saudi Closed Joint Stock 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and 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, 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Derayah Financial Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
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 Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 18 Rajab 1440H
(25 March 2019)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 SR	31 December 2017 SR (note 4)	1 January 2017 SR (note 4)
ASSETS				
NON-CURRENT ASSETS				
Property and equipment, net	7	**19,076,163**	20,872,436	19,301,648
Intangible assets, net	8	**7,944,771**	7,255,534	7,309,710
Investment at amortised cost	9	**6,000,000**	6,000,000	6,000,000
Investments at fair value through profit or loss	10	**24,861,884**	41,295,179	65,585,607
Investments at fair value through other comprehensive income	11	**25,538,360**	-	-
TOTAL NON-CURRENT ASSETS		**83,421,178**	75,423,149	98,196,965
CURRENT ASSETS				
Due from related parties	15	**14,975,799**	8,065,667	3,289,292
Margin client receivables, net	12	**33,527,250**	53,520,007	75,068,067
Prepayments		**1,314,723**	1,529,241	2,962,507
Other current financial assets		**3,937,322**	8,226,202	13,217
Investments at fair value through profit or loss	10	**19,614,666**	24,734,578	20,596,398
Time deposits	13	**36,800,000**	-	-
Bank balances	14	**5,904,170**	10,968,658	9,200,340
TOTAL CURRENT ASSETS		**116,073,930**	107,044,353	111,129,821
TOTAL ASSETS		**199,495,108**	182,467,502	209,326,786
LIABILITIES AND EQUITY				
NON-CURRENT LIABILITIES				
Net employee defined benefit liabilities	16	**7,520,579**	5,998,887	4,654,323
CURRENT LIABILITIES				
Bank overdraft		-	15,720	-
Due to related parties	15	**79,441**	218,750	-
Accrued expenses and other payables	17	**17,850,927**	5,855,258	10,377,533
Zakat payable	18	**3,500,000**	2,100,025	3,112,948
TOTAL CURRENT LIABILITIES		**21,430,368**	8,189,753	13,490,481
TOTAL LIABILITIES		**28,950,947**	14,188,640	18,144,804
EQUITY				
Share capital	19	**161,090,130**	161,090,130	152,000,000
Statutory reserve	20	**6,458,132**	4,060,663	4,060,663
Other reserve	22	**(6,195,149)**	(594,775)	(269,525)
Share based plan reserve		-	-	10,769,282
Retained earnings		**9,191,048**	3,722,844	24,621,562
TOTAL EQUITY		**170,544,161**	168,278,862	191,181,982
TOTAL LIABILITIES AND EQUITY		**199,495,108**	182,467,502	209,326,786

The attached notes 1 to 38 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2018

	Notes	*31 December 2018 SR*	*31 December 2017 SR (note 4)*
OPERATING INCOME			
Revenue from contracts with customers	23	**114,046,366**	61,849,586
Special commission income		**2,829,547**	2,853,506
Net gain on financial assets at fair value through profit or loss	24	**2,122,147**	3,604,528
Dividend income		**2,304,694**	1,309,169
TOTAL OPERATING INCOME		**121,302,754**	69,616,789
OPERATING EXPENSES			
Salaries and employee related expenses	25	**(55,879,628)**	(28,716,239)
Other general and administrative expenses	26	**(37,247,263)**	(24,597,691)
Impairment charge for credit losses	12	**(2,803)**	(28,817,415)
Marketing expenses		**(2,979,429)**	(1,062,623)
TOTAL OPERATING EXPENSES		**(96,109,123)**	(83,193,968)
INCOME (LOSS) FROM OPERATIONS		**25,193,631**	(13,577,179)
Other income	27	**3,037,251**	3,336,034
INCOME (LOSS) BEFORE ZAKAT		**28,230,882**	(10,241,145)
Zakat	18	**(4,256,196)**	(3,057,573)
NET INCOME (LOSS) FOR THE YEAR		**23,974,686**	(13,298,718)
Other comprehensive income not to be reclassified to income subsequently			
Re-measurement impact of investment at FVOCI	11	**(5,275,743)**	-
Re-measurement impact of net employee defined benefit liabilities	16	**(324,631)**	(325,250)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(5,600,374)**	(325,250)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**18,374,312**	(13,623,968)
EARNINGS (LOSS) PER SHARE	28		
Basic and diluted, income (loss) from operations for the year per share		1.56	(0.84)
Basic and diluted, net income (loss) for the year per share		1.49	(0.83)

The attached notes 1 to 38 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital SR	*Statutory reserve SR*	*Other reserve SR*	*Share based plan reserve SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2017 (note 4.1)	152,000,000	4,060,663	(269,525)	10,769,282	24,621,562	191,181,982
Loss for the year	-	-	-	-	(13,298,718)	(13,298,718)
Other comprehensive loss	-	-	(325,250)	-	-	(325,250)
Total comprehensive loss	-	-	(325,250)	-	(13,298,718)	(13,623,968)
Increase in capital	9,090,130	-	-	-	-	9,090,130
Dividends distribution (note 21)	-	-	-	-	(7,600,000)	(7,600,000)
Reserve for contribution towards ESOP	-	-	-	(10,769,282)	-	(10,769,282)
Balance at 31 December 2017 (note 4.2)	161,090,130	4,060,663	(594,775)	-	3,722,844	168,278,862
As at 1 January 2018	161,090,130	4,060,663	(594,775)	-	3,722,844	168,278,862
Income for the year	-	-	-	-	23,974,686	23,974,686
Other comprehensive loss	-	-	(5,600,374)	-	-	(5,600,374)
Total comprehensive (loss) income	-	-	(5,600,374)	-	23,974,686	18,374,312
Dividends distribution (note 21)	-	-	-	-	(16,109,013)	(16,109,013)
Transfer to statutory reserve	-	2,397,469	-	-	(2,397,469)	-
Balance at 31 December 2018	**161,090,130**	**6,458,132**	**(6,195,149)**	-	**9,191,048**	**170,544,161**

The attached notes 1 to 38 form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 SR	*31 December 2017 SR*
OPERATING ACTIVITIES		
Income (loss) before zakat	**28,230,882**	(10,241,145)
Non-cash adjustment to reconcile income (loss) before zakat to net cash flows:		
Depreciation and amortization	**6,228,413**	5,097,342
Provisions for employee benefit obligations	**1,513,028**	1,185,603
Net gain on financial assets at fair value through profit or loss	**(2,122,147)**	(4,913,698)
Impairment charge for credit losses	-	28,817,415
Share based settlement gain	-	(1,679,152)
Loss on sale of property and equipment	-	10,404
Operating cash flows before working capital changes	**33,850,176**	18,276,769
Margin client receivables, net	**19,992,757**	(7,271,801)
Other current financial assets	**4,288,880**	(8,249,686)
Prepayments	**214,518**	1,433,266
Due from related parties, net	**(7,049,441)**	(4,557,625)
Accrued expenses and other payables	**11,995,669**	(4,522,275)
Bank overdrafts	**(15,720)**	15,720
Cash generated from (used in) operations	**63,276,839**	(4,875,632)
Zakat paid	**(2,856,221)**	(4,070,496)
Employee benefit obligations paid	**(315,967)**	(166,289)
Net cash from (used in) operating activities	**60,104,651**	(9,112,417)
INVESTING ACTIVITIES		
Purchase of financial assets at FVPL	**(73,606,271)**	(175,899,092)
Purchase of financial assets at FVOCI	**(30,814,103)**	-
Sale proceeds from financial assets at FVPL	**97,281,625**	201,004,184
Purchase of property and equipment	**(1,283,471)**	(3,812,520)
Sale proceeds from property and equipment	-	14,878
Time deposit	**(36,800,000)**	-
Purchase of intangible assets	**(3,837,906)**	(2,826,715)
Net cash (used in) from investing activities	**(49,060,126)**	18,480,735
FINANCING ACTIVITY		
Dividends paid	**(16,109,013)**	(7,600,000)
Net cash used in financing activity	**(16,109,013)**	(7,600,000)
NET (DECREASE) INCREASE IN BANK BALANCES DURING THE YEAR	**(5,064,488)**	1,768,318
Bank balances at the beginning of the year	**10,968,658**	9,200,340
BANK BALANCES AT THE END OF THE YEAR	**5,904,170**	10,968,658
NON-CASH TRANSACTIONS		
Increase in share capital	-	9,090,130
Reserve for contribution towards ESOP	-	(10,769,282)

The attached notes 1 to 38 form part of these financial statements

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 March 2015.

The principal activities of the Company are to provide 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 operates under Commercial Registration No. 2050101980 dated 23 Shawwal 1435H (corresponding to August 19, 2014) and there is other branch in Jeddah operates under Commercial Registration No. 4030286122 dated 13 Safar 1437H (corresponding to November 25, 2015).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in KSA. These are also the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA"), and accordingly IFRS 1 "First-time Adoption of International Financial Reporting Standards" endorsed in KSA has been applied. Refer to Note 4 for further information.

These financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- investment at fair value through profit or loss ("FVPL") is measured at fair value.
- investment at fair value through other comprehensive income ("FVOCI") is measured at fair value.
- the defined benefit obligation is recognised at the present value of future obligations using the projected unit credit method.

The financial statements are presented in Saudi Riyals and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

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").

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 comprehensive income. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income.

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.

- *Fair Value through profit or loss ("FVPL")*
  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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Financial instruments (continued)

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:
a) The rights to receive cash flows from the asset have expired, or
b) 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 increase in credit risk since origination, the allowance will be based on the lifetime ECL. For time deposits, 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.

3.2 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Current versus non-current classification (continued)

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

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 other general and administrative expenses.

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.

3.4 Intangible assets

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.

- 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Employee benefits

The Company operates a defined benefit scheme for its employees in accordance with labor 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

Zakat is provided in accordance with the Regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis. Zakat related to the Company is charged to the statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

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.

3.10 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 Bank balances

Bank balances are deposits held with banks. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Revenue from contracts with customers

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five step model is as follows:

a) Identify the contract
b) Identify performance obligation
c) Determine the transaction price
d) Allocation of the transaction price
e) Recognize revenue

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

3.12.1 Fee and commission income:

3.12.1.1 ***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.

3.12.1.2 ***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.

3.12.1.3 ***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.

3.12.1.4 ***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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Revenue from contracts with customers (Continued)

3.12.2 Other operating income

3.12.2.1 *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.

3.12.2.2 *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 Net gain or loss on financial assets at fair value through profit or loss
Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

3.14 Dividend income
Dividend income is recognised on the date when the Company's right to receive the payment is established.

3.15 Interest revenue and expense
Interest revenue and expense are recognised in the statement of comprehensive income for all interest-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 Operating lease
Operating lease payments are recognized as expenses in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. The Company does not have any finance lease arrangements.

3.18 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 also to estimate the most appropriate inputs to the valuation model requires significant judgment.

3.19 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)

3.20 Margin client receivables

The margin client's receivables arise within brokerage business as Shariyah compliant margin financing. Margin client's receivables are recognized when cash/limits is 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 FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2017, the Company prepared its audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA ("SOCPA GAAP"). As noted in note 2.1, these financial statements are the Company's first such financial statements in accordance with the IFRS as endorsed in KSA.

Accordingly, the Company has applied the IFRS as endorsed in KSA for preparation of its financial statements for the period beginning 1 January 2018, as well as for presenting the relevant comparative period data. In compliance with requirements of IFRS 1 endorsed in KSA, the Company's opening statement of financial position was prepared as at 1 January 2017 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Company has analysed the impact on the statement of financial positions as at 1 January 2017 and 31 December 2017, and following are the significant adjustments in transitioning from SOCPA GAAP to IFRS as endorsed in KSA have been disclosed in the financial statements for the year ended 31 December 2018.

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.1 Company reconciliation of equity as at 1 January 2017

	Notes	*SOCPA GAAP 1 January 2017 SR*	*Re-measurement*	*IFRS as endorsed in KSA 1 January 2017 SR*
STATEMENT OF CHANGES IN EQUITY				
Share capital		152,000,000	-	152,000,000
Statutory reserve		4,060,663	-	4,060,663
Retained earnings and other reserve	A, B, C	21,345,974	3,006,063	24,352,037
Share based plan reserve		10,769,282	-	10,769,282
Fair value reserve	B	3,275,805	(3,275,805)	-
		191,451,724	(269,742)	191,181,982

4.2 Company reconciliation of equity as at 31 December 2017

	Notes	*SOCPA GAAP 31 December 2017 SR*	*Re-measurement*	*IFRS as endorsed in KSA 31 December 2017 SR*
STATEMENT OF CHANGES IN EQUITY				
Share capital		161,090,130	-	161,090,130
Statutory reserve		4,060,663	-	4,060,663
Retained earnings and other reserve	A, B, C	56,660	3,071,409	3,128,069
Fair value reserve	B	3,314,950	(3,314,950)	-
		168,522,403	(243,541)	168,278,862

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.3 Company reconciliation of total comprehensive income for the year ended 31 December 2017

	Notes	*For the year ended 31 December 2017 SR*
Loss for the year under SOCPA GAAP		(13,689,315)
IFRS adoptions adjustments		
Net employee defined benefit liabilities	**A**	65,347
Total comprehensive loss for the year under IFRS as endorsed in KSA		(13,623,968)
Other comprehensive loss under IFRS as endorsed in KSA	**A**	(325,250)

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.4 EXPLANATION OF TRANSITION TO IFRS

A - Net employee defined benefit liabilities
Under SOCPA GAAP, the Company recognized costs related to post-employment benefits of employees as current value of the vested benefits to which an employee is entitled. Under IFRS as endorsed in KSA, such liabilities are recognized on actuarial basis under projected unit of credit method. As at 1 January 2017, the difference between the provision as per SOCPA GAAP and provision as per actuarial valuation is SR 219,742 (31 December 2017: SR 193,541) is recognized in retained earnings.

B – Financial Instruments
All available for sale investments as per SOCPA GAAP were reclassified as investments at fair value through profit or loss under IFRS 9. Accordingly, fair value reserve relating to such available for sale investments amounted to SR 3,275,805 as at 1 January 2017 (31 December 2017: SR 3,314,950) has been transferred to retained earnings.

The Company also transferred a held to maturity investment to investments at fair value through profit or loss but has resulted to no re-measurement gain or loss.

C – Restoration cost
The Company's current practice of not recognizing provision for restoration cost, IFRS requires a provision to be recognized if it is probable that a liability has been incurred and the amount is reasonably estimable. Accordingly, SR 50,000 (31 December 2017: SR 50,000; 1 January 2018: SR 50,000) has been recognized in retained earnings.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The estimates at 31 December 2018 are consistent with those made for the 1 January 2017 and 31 December 2017 in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the employee defined benefits. The estimates used by the Company to present these amounts in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS as endorsed in KSA and as of 31 December 2018.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

5.1 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.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

5.2 Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration and accordingly, goodwill is assessed for impairment together with the assets and liabilities of the related segment.

5.3 Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5.4 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. The value of net asset of the funds for the purpose of subscription/redemption of units are determined by dividing the net assets attributable to unitholders of the funds (fair value of the funds' assets minus the liabilities) by the total number of the funds' units outstanding on the relevant valuation day.

5.5 Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property 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.

5.6 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.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements. The Company has not yet undertaken an assessment to determine the potential impact on the amounts reported and disclosures to be made under the new standards. The Company intends to adopt these standards on their respective mandatory effective dates, if applicable. Following is summary of new and revised relevant IFRSs that have been issued but are not yet effective:

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effects of changes in facts and circumstances

IFRS 16 Leases	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2021
IFRS 17 Insurance Contracts	1 January 2022

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.

7 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Period of lease or 5 years; whichever is shorter
Furniture, fixture and fittings	5 years
Computer and office equipment	4 years

	Land	*Leasehold improvements*	*Computers and office equipment*	*Furniture, fixtures and fittings*	***Total 31 December 2018***	*Total 31 December 2017*
Cost						
At the beginning of the year, 1 January	12,299,352	5,211,367	23,857,519	2,035,614	**43,403,852**	39,833,297
Additions during the year	-	49,956	1,233,515	-	**1,283,471**	5,088,665
Disposals	-	-	-	-	-	(241,965)
Transfer from work in progress	-	-	-	-	-	(1,276,145)
At the end of the year, 31 December	12,299,352	5,261,323	25,091,034	2,035,614	**44,687,323**	43,403,852
Accumulated depreciation						
At the beginning of the year, 1 January	-	2,967,703	18,236,084	1,327,629	**22,531,416**	20,531,649
Charge during the year	-	603,167	2,295,721	180,856	**3,079,744**	2,216,451
Disposals	-	-	-	-	-	(216,684)
At the end of the year, 31 December	-	3,570,870	20,531,805	1,508,485	**25,611,160**	22,531,416
Net book value						
As at December 31, 2018	**12,299,352**	**1,690,453**	**4,559,229**	**527,129**	**19,076,163**	
As at December 31, 2017	12,299,352	2,243,664	5,621,435	707,985		20,872,436

8 INTANGIBLE ASSETS, NET

Intangible assets comprise mainly of internally developed software.:

	Work in Progress *SR*	*Software* *SR*	***Total 31 December 2018*** ***SR***	*Total 31 December 2017* *SR*
Cost				
At the beginning of the year, 1 January	-	31,899,360	**31,899,360**	29,072,645
Additions during the year	845,368	2,992,538	**3,837,906**	2,826,715
At the end of the period, 31 December 2018	845,368	34,891,898	**35,737,266**	31,899,360
Accumulated amortization				
At the beginning of the year, 1 January	-	24,643,826	**24,643,826**	21,762,935
Charge during the year	-	3,148,669	**3,148,669**	2,880,891
At the end of the period, 31 December 2018	-	27,792,495	**27,792,495**	24,643,826
Net book value				
As at December 31, 2018	845,368	7,099,404	**7,944,771**	
As at December 31, 2017		7,255,534		7,255,534

9 INVESTMENT AT AMORTISED COST

	Maturity date	***31 December 2018*** ***SR***	*31 December 2017* *SR*	*1 January 2017* *SR*
Al Bilad Bank sukuk	30 August 2026	**6,000,000**	**6,000,000**	**6,000,000**

The sukuk is earning commission income at a profit rate of 3 months SAIBOR plus 200 basis points.

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss consists of investments in local, regional and international equities. The movements are set out below:

	31 December 2018		
	Cost	***Unrealised Gain (Loss)***	***Fair Value***
	SR	***SR***	***SR***
Current investments at FVPL			
Mutual funds (note 10.1)	**4,577,067**	**(650,160)**	**3,926,907**
Money market fund (note 10.2)	**10,000,000**	**23,320**	**10,023,320**
Local equities listed in Tadawul (10.3)	**959,219**	**29,806**	**989,025**
Treasury bill (10.4)	**4,449,030**	**226,384**	**4,675,414**
Total current investments at FVPL	**19,985,316**	**(370,650)**	**19,614,666**
Non-current investments at FVPL			
Real estate fund (10.5)	**25,870,752**	**(2,245,337)**	**23,625,415**
Mutual fund (10.6)	**1,186,402**	**50,067**	**1,236,469**
Total non-current investments at FVPL	**27,057,154**	**(2,195,270)**	**24,861,884**
Total investments at fair value through profit or loss	**47,042,470**	**(2,565,920)**	**44,476,550**

	31 December 2017		
	Cost	*Unrealised Gain (Loss)*	*Fair Value*
	SR	*SR*	*SR*
Current investments at FVPL			
Mutual funds (note 10.1)	5,750,563	(185,575)	5,564,988
Money market fund (note 10.2)	7,911,788	244,531	8,156,319
Local equities listed in Tadawul (10.3)	1,481,048	224,231	1,705,279
International equities listed (10.7)	4,856,231	752,209	5,608,440
Treasury bill (10.4)	3,699,552	-	3,699,552
Total current investments at FVPL	23,699,182	1,035,396	24,734,578
Non-current investments at FVPL			
Real estate fund (10.5)	22,888,626	3,192,450	26,081,076
Mutual fund (10.6)	14,000,000	1,214,103	15,214,103
Total non-current investments at FVPL	36,888,626	4,406,553	41,295,179
Total investments at fair value through profit or loss	60,587,808	5,441,949	66,029,757

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	1 January 2017		
	Cost SR	*Unrealised Gain (Loss) SR*	*Fair Value SR*
Current investments at FVPL			
Mutual funds (note 10.1)	10,843,726	(470,875)	10,372,851
Money market fund (note 10.2)	7,885,285	1,136	7,886,421
Local equities listed in Tadawul (10.3)	3,116,011	(778,885)	2,337,126
Total current investments at FVPL	21,845,022	(1,248,624)	20,596,398
Non-current investments at FVPL			
Real estate fund (10.5)	22,678,303	2,811,394	25,489,697
Mutual fund (10.6)	39,631,499	464,411	40,095,910
Total non-current investments at FVPL	62,309,802	3,275,805	65,585,607
Total investments at fair value through profit or loss	84,154,824	2,027,181	86,182,005

10.1 Investments in mutual funds mainly represent 617,992 units (31 December 2017: 1,151,795 units, 1 January 2017: 1,191,314 units) in the Company's managed Derayah IPO Fund. All these Company's managed mutual funds are unlisted.

10.2 Investments in money market fund represents 64,873 units (31 December 2017: 10,073 units, 1 January 2017 :394,365 units) in Al Rajhi Commodity Fund. The fund is unlisted and managed by a fund manager, other than the Company, licensed by Capital Market Authority of Saudi Arabia.

10.3 Investment in local equities represents equities listed in Tadawul.

10.4 Treasury bill represents government security invested in Egypt issued by EFG Hermes.

10.5 Investment in real estate fund represents 22,705 units (31 December 2017: 22,705 units, 1 January 2017 : 22,705 units), in the Company's managed unlisted Durrat Al Khaleej Real Estate Fund. The investment has been treated as non-current because the fund is close ended and having termination date after one year of reporting date.

10.6 Investment in mutual fund represents 110,004 units (31 December 2017: 1,518,882 units; 1 January 2017: 1,711,205 units), in the Company's managed unlisted Derayah Healthcare Fund. The investment has been treated as non-current because the fund is close ended and having termination date after one year of reporting date.

10.7 International equities represents equities outside Saudi Arabia.

11 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018		
	Cost	***Unrealised Gain (Loss)***	***Fair Value***
	SR	***SR***	***SR***
REIT fund (note 11.1)	**30,814,103**	**(5,275,743)**	**25,538,360**

11.1 Investments in REIT fund represents 3,074,537 units (31 December 2017: Nil units, 1 January 2017 : Nil units) in Derayah REIT fund that is a listed fund in Tadawul and managed the Company.

12 MARGIN CLIENT RECEIVABLES, NET

	31 December 2018	*31 December 2017*	*1 January 2017*
	SR	*SR*	*SR*
Margin clients receivables	**33,530,053**	53,520,007	82,589,199
Impairment charge for credit losses	**(2,803)**	-	(7,521,132)
	33,527,250	53,520,007	75,068,067

Movement of impairment charge for credit losses

	31 December 2018	*31 December 2017*	*1 January 2017*
	SR	*SR*	*SR*
Balance at the beginning of the year	-	7,521,132	-
Provided for during the year	2,803	28,817,415	(7,521,132)
Written off during the year	-	(36,338,547)	-
Balance at the end of the year	2,803	-	(7,521,132)

13 TIME DEPOSITS

Time deposits represent deposits with a local commercial bank with investment grade credit rating and have an original maturity of more than three months from date of acquisition. The average variable special commission rate on the time deposits as at 31 December 2018 is based on market rate.

14 BANK BALANCES

	31 December 2018	*31 December 2017*	*1 January 2017*
	SR	*SR*	*SR*
Cash at banks	**5,904,170**	10,968,658	9,200,340

Cash at banks earns interest at floating rates based on daily bank deposit rates.

15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, Funds under the Company's management and entities controlled or significantly influenced by such parties.

The following are the details of significant related party transactions during the year:

Name of related party	*Nature of transaction*	***31 December 2018 SR***	*31 December 2017 SR*
Derayah REIT Fund	Brokerage fees	22,046,599	-
Derayah REIT Fund	Transaction fees	13,455,752	-
Derayah REIT Fund	Management fees	7,031,170	-
Derayah REIT Fund	Financing fees	5,485,280	-
Derayah Healthcare Fund	Management fees	1,194,923	-
Derayah Real Estate Income Fund	Management fees	887,000	-
Durat Al-Khaleej Real Estate Fund	Management fees	-	841,445
Real Estate Income Fund	Management fees	-	661,674
Saudi Fund for Logistics Services	Management fees	-	746,573
Derayah Real Estate Income Fund	Management fees	-	796,595

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

	31 December 2018 SR	*31 December 2017 SR*
Salaries and employee related benefits	**19,407,109**	6,374,656
Board of directors remuneration	**1,400,000**	360,000

Balances resulting from transactions with related parties is as follow:

Particulars of related party	***Nature of balance***	***31 December 2018 SR***	*31 December 2017 SR*	*1 January 2017 SR*
Managed funds				
Derayah REIT Fund	Due from related party	**8,653,402**	745,225	-
Derayah Real Estate Income Fund (2)	Due from related party	**1,506,748**	1,627,981	323,915
Durat Al Khalij Real Estate Fund	Due from related party	**1,472,712**	2,583,357	855,390
Education Fund	Due from related party	**1,448,388**	-	-
Derayah Digital	Due from related party	**807,504**	-	-
Derayah Health Care Fund	Due from related party	**629,656**	-	-
Credit Fund.	Due from related party	**146,538**	-	-
Venture Capital Fund	Due from related party	**92,899**	-	-
US Real Estate Fund	Due from related party	**91,332**	-	-
USD Trade Finance	Due from related party	**80,474**	-	-
Derayah IPO Fund	Due from/to related party	**32,519**	(70,625)	-
SME Fund.	Due from related party	**9,375**	-	-
Fund 10 Class A	Due from related party	**4,252**	-	-
Derayah Trading Finance Fund	Due to related party	**(63,000)**	(102,500)	-
Derayah Freestyle Saudi Equity Fund	Due to related party	**(16,441)**	(25,625)	-
Derayah Food Services Fund	Due from related party	-	692,992	-
Derayah Real Estate Income Fund (1)	Due from related party	-	1,890,974	1,156,451
Derayah Freestyle Saudi Equity Fund	Due from related party	-	-	105,751
Commercial Real Estate Fund.	Due from related party	-	9,375	-
Derayah Trading Finance Fund	Due from related party	-	-	562,120
The Saudi Fund For Logistics Services	Due from related party	-	515,763	40,000
Derayah Private Fund No.100	Due to related party	-	(20,000)	-
Derayah Private Fund No.100	Due from related party	-	-	245,665
Derayah Trading Finance Fund	Client margin receivable	-	-	62,247,007

The Company has invested in a treasury bill along with one of its key management personnel based on certain proportion. However, the proportion pertain to the key management personnel has been kept as client's asset. Please refer to note 10.4 for the Company's portion recognised.

16 NET EMPLOYEE DEFINED BENEFIT LIABILITIES

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

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Balance at beginning of the year	**5,998,887**	4,654,323	5,529,072
Current service cost	**1,287,549**	1,022,703	1,203,722
Interest cost	**225,479**	162,900	193,518
Amount recognized in profit or loss account	**1,513,028**	1,185,603	1,397,240
Re-measurements			
Loss from change in demographic assumptions	-	-	-
Gain from change in financial assumptions	**(35,130)**	-	-
Actuarial losses	**359,761**	325,250	269,525
Amount recognized in OCI	**324,631**	325,250	269,525
Benefits paid during the year	**(315,967)**	(166,289)	(2,541,514)
Balance at the end of the year	**7,520,579**	5,998,887	4,654,323

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2018 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 2018***	*31 December 2017*	*1 January 2017*
Financial assumptions			
Discount rate used	**4%**	**3.5%**	**3.5%**
Salary growth rate*	**3%; 4%**	**3%; 3.5%**	**3%; 3.5%**
Demographic assumptions			
Retirement age	**60**	60	60

*Salary increase assumption of 3.00% p.a. for the first five years has been assumed by the company and for the subsequent years salary increase rate of 3.50% p.a. is assumed, and is based on actual salary increases in past year

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 inflation and discount rate assumptions that were performed at the previous and current valuation date:

	31 December 2018	*31 December 2017*	*1 January 2017*
Discount Rate +0.5%	**7,162,024**	5,700,686	4,417,821
Discount Rate -0.5%	**7,940,859**	6,350,666	4,934,868
Long Term Salary Increases +1%	**8,275,555**	6,633,202	5,161,115
Long Term Salary Increases -1%	**6,860,870**	5,448,450	4,216,487

17 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Employee related expense	**11,200,000**	-	3,209,985
Accrued expenses	**3,998,660**	3,729,752	5,446,264
Accrued salaries	**1,214,738**	1,504,222	1,202,297
VAT payable	**805,712**	-	-
GOSI Payable	**327,984**	227,346	215,763
Accounts payable	**253,833**	343,938	253,224
Provision for restoration cost	**50,000**	50,000	50,000
	17,850,927	5,855,258	10,377,533

18 ZAKAT PAYABLE

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.

Zakat charge for the year consists of the current year provision amounting to SR 4,256,196 (31 December 2017: SR 3,057,573).

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Equity	**173,973,749**	172,197,673	201,049,052
Book value of long term assets	**(19,076,163)**	(16,660,377)	(38,639,046)
Cash dividends	**(3,128,069)**	(7,600,000)	(15,200,000)
Sukuk	**-**	(6,000,000)	(6,000,000)
Capital work in progress	**(7,944,771)**	(1,276,145)	-
Financial assets at FVPL	**(50,400,244)**	(41,295,178)	(37,382,530)
	93,424,502	99,365,973	103,827,476
Adjusted net income for the year	**29,731,943**	(15,364,976)	20,690,445
Zakat base	**123,156,445**	84,000,997	124,517,921
Zakat charge for the year @ 2.5%	**3,078,911**	2,100,025	3,112,948

Movement in provision for zakat during the years ended 31 December 2018 and 2017, is as follows:

	31 December 2018 SR	*31 December 2017 SR*
At the beginning of the year	**2,100,025**	3,112,948
Provided during the year	**4,256,196**	3,057,573
Paid during the year	**(2,856,221)**	(4,070,496)
At the end of the year	**3,500,000**	2,100,025

18 ZAKAT PAYABLE (Continued)

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. The Company has filed an objection against GAZT assessment and awaiting their response.

19 SHARE CAPITAL

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Ordinary shares (SR 10 per share)	**161,090,130**	161,090,130	152,000,000

Share capital of SR 161 million (31 December 2017: SR 161 million; 1 January 2017: SR 152 million) is divided into 16,109,013 shares (31 December 2017: 16,109,013 shares; 1 January 2017: 15,200,000 shares) of SR 10 each, which is wholly paid.

The Company's General Assembly 13 June 2016 approved the Company's capital increase from SR 152 million to SR 161 million by transferring SR 9 million from share based plan, which was proposed by the Company's board of directors on May 1, 2017. The legal procedure related to this increase has been finalized during 2017.

20 STATUTORY RESERVE

In accordance with the Company's Articles of Association and the previous Saudi Arabian Regulations for Companies, the Company was required to set aside 10% of the net income to a statutory reserve until such reserve equals 50% of the Company's share capital. The new Saudi Arabian Regulations for Companies issued on May 6, 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. Accordingly, the Company's Articles of Association was revised and authorised before 31 December 2017. The reserve is not available for distribution to the shareholders of the Company.

21 DIVIDENDS DECLARED

The Board of Directors, through the power vested by the shareholders during the Annual General Assembly, approved the cash dividend of 5% of share capital at SR 0.50 per share for distribution from the retained earnings in its meeting held on 1 Dhul-Hijjah 1439H (corresponding to 12 August 2018). Further, the Board of Directors declared additional cash dividend of 5% of share capital at SR 0.50 per sharein its meeting held on 19 Safar 1440H (corresponding to 28 October 2018). Total cash dividend declared and paid is SR 16,109,013 (2017: SR 7,600,000).

22 OTHER RESERVE

31 December 2018	***Re-measurement reserve of investment at FVOCI SR***	***Actuarial gain (losses) SR***	***Total SR***
At the beginning of the year	**-**	**(594,775)**	**(594,775)**
Re-measurement impact of employee benefit obligation	**-**	**(324,631)**	**(324,631)**
Re-measurement impact of investment at FVOCI	**(5,275,743)**	**-**	**(5,275,743)**
Other comprehensive loss for the year	**(5,275,743)**	**(324,631)**	**(5,600,374)**
At the end of the year	**(5,275,743)**	**(919,406)**	**(6,195,149)**

31 December 2017	*Re-measurement reserve of investment at FVOCI SR*	*Actuarial gain (losses) SR*	*Total SR*
At the beginning of the year	-	(269,525)	(269,525)
Re-measurement impact of employee benefit obligation	-	(325,250)	(325,250)
Re-measurement impact of investment at FVOCI	-	-	-
Other comprehensive loss for the year	-	(325,250)	(325,250)
At the end of the year	-	(594,775)	(594,775)

23 REVENUE FROM CONTRACTS WITH CUSTOMERS

23.1 *Disaggregated revenue information*

	For the year ended 31 December 2018		
Segments	***Brokerage Fees SR***	***Asset Management SR***	***Total SR***
Types of service			
Brokerage services	**45,810,297**	**-**	**45,810,297**
Asset management services	**-**	**68,236,069**	**68,236,069**
Total revenue from contracts with customers	**45,810,297**	**68,236,069**	**114,046,366**
Geographical Markets			
Saudi Market	**28,319,124**	**68,236,069**	**96,555,193**
Global Market	**16,849,892**	**-**	**16,849,892**
GCC Market	**641,281**	**-**	**641,281**
Total revenue from contracts with customers	**45,810,297**	**68,236,069**	**114,046,366**
Timing of revenue recognition			
Services rendered at a point in time			
Saudi market	**28,319,124**	**68,236,069**	**96,555,193**
Foreign market (Mubasheer)	**17,491,173**	**-**	**17,491,173**
Total revenue from contracts with customers	**45,810,297**	**68,236,069**	**114,046,366**

	For the year ended 31 December 2017		
Segments	*Brokerage Fees SR*	*Asset Management SR*	*Total SR*
Types of service			
Brokerage services	45,382,583	-	45,382,583
Asset management services	-	16,467,003	16,467,003
Total revenue from contracts with customers	45,382,583	16,467,003	61,849,586
Geographical Markets			
Saudi Market	34,099,284	16,467,003	50,566,287
Global Market	10,829,058	-	10,829,058
GCC Market	454,241	-	454,241
Total revenue from contracts with customers	45,382,583	16,467,003	61,849,586
Timing of revenue recognition			
Services transferred at a point in time			
Saudi market	34,099,284	16,467,003	50,566,287
Foreign market (Mubasheer)	11,283,299	-	11,283,299
Total revenue from contracts with customers	45,382,583	16,467,003	61,849,586

23 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

23.2 *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.

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 Company charge 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.

24 NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 SR	*31 December 2017 SR*
Unrealized gain on investments at fair value through profit or loss, net	**(2,565,922)**	1,981,918
Realized gain on investments at fair value through profit or loss, net	**4,688,069**	1,622,610
	2,122,147	3,604,528

25 SALARIES AND EMPLOYEE RELATED EXPENSES

	31 December 2018 SR	*31 December 2017 SR*
Employee related expenses	**46,951,152**	21,863,201
GOSI expense	**1,786,869**	1,505,494
Medical insurance	**1,779,719**	1,201,644
End of service benefit	**1,501,061**	1,450,340
Cost of living allowance	**747,586**	-
Employee meal allowance	**702,143**	322,989
Training allowance	**504,946**	313,821
Employee commission	**501,577**	424,481
Other salaries and employee related expenses	**1,404,575**	1,634,269
	55,879,628	28,716,239

26 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018 SR	*31 December 2017 SR*
Professional expenses	**14,054,899**	5,198,684
Commission expenses	**5,343,585**	3,594,107
Utilities	**5,006,356**	4,583,820
IT expenses	**3,321,499**	3,152,949
Amortization	**3,148,668**	2,880,891
Depreciation	**3,079,744**	2,216,451
Rent expenses	**1,652,252**	1,637,010
Office Expenses	**876,086**	642,336
Office Maintenance	**441,120**	381,341
Finance Charges	**293,868**	310,102
Other general and administrative expenses	**29,186**	-
	37,247,263	24,597,691

27 OTHER INCOME

	31 December 2018 SR	*31 December 2017 SR*
Forex gain or loss	**2,573,024**	1,023,292
Price streamer	**189,695**	184,567
Gain from share based settlement	**-**	1,679,152
Others	**274,532**	449,023
	3,037,251	3,336,034

28 EARNINGS (LOSS) 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 dilutive potential ordinary shares.

	31 December 2018 SR	*31 December 2017 SR*
Income (loss) from operations for the year	**25,193,631**	(13,577,179)
Weighted average number of ordinary shares	**16,109,013**	16,109,013
Basic and diluted, income (loss) from operations for the year per share	**1.56**	(0.84)
Net income (loss) for the year	**23,974,686**	(13,298,718)
Weighted average number of ordinary shares	**16,109,013**	16,109,013
Basic and diluted, net income (loss) for the year per share	**1.49**	(0.83)

29 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Financial assets at amortised cost			
Investment in sukuk	**6,000,000**	6,000,000	6,000,000
Margin client receivables, net	**33,527,250**	53,520,007	75,068,067
Due from related parties	**14,975,799**	8,065,667	3,289,292
Other current financial assets	**3,937,322**	8,226,202	13,217
Financial assets at fair value through OCI			
Investment in a listed managed fund – REIT	**25,538,360**	-	-
Financial assets at fair value through profit or loss			
Investment in unlisted managed funds	**28,788,791**	46,860,167	71,336,170
Investment in diversified portfolio management (DPM)	**11,012,345**	15,478,829	14,845,835
Investment in treasury bills	**4,675,414**	3,699,552	-
Total financial assets	**128,455,281**	141,850,424	170,552,581
Total current	**73,263,990**	74,152,745	78,624,782
Total non-current	**55,191,291**	67,697,679	91,927,799

Set out below is an overview of financial liabilities held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Financial liabilities at amortised cost			
Bank overdraft	**-**	15,720	-
Due to related party	**79,441**	218,750	-
Accrued expenses and other payables	**16,667,231**	5,577,912	10,111,770
Total financial liabilities	**16,746,672**	5,812,382	10,111,770
Total current	**16,746,672**	5,812,382	10,111,770
Total non-current	**-**	-	-

30 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2018, 31 December 2017, and 1 January 2017: There are no financial liabilities measured at fair value.

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
As at 31 December 2018	***SR***	***SR***	***SR***	***SR***
Financial assets measured at fair value				
Investment in unlisted managed funds	**28,788,791**	-	**28,788,791**	-
Investment in DPM	**11,012,345**	**989,025**	**10,023,320**	-
Investment in treasury bills	**4,675,414**	-	**4,675,414**	-
Investment in a listed managed fund – FVOCI	**25,538,360**	**25,538,360**	-	-
As at 31 December 2017				
Financial assets measured at fair value				
Investment in unlisted managed funds	46,860,167	-	46,860,167	-
Investment in DPM	15,478,829	7,322,510	8,156,319	-
Investment in treasury bills	3,699,552	-	3,699,552	
As at 1 January 2017				
Financial assets measured at fair value				
Investment in unlisted managed funds	71,336,170	-	71,336,170	-
Investment in DPM	14,845,835	2,337,126	12,508,709	-

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the years ended 31 December 2018, 31 December 2017, and 1 January 2017.

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 a whole, 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

31 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 other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to 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 investment manager is responsible for identifying and controlling risks. The Board of Directors supervises the investment manager and is ultimately responsible for the overall risk management of the Company.

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 Fund. In addition, the Fund 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 uses derivatives and other instruments for trading purposes and in connection with its risk management activities.

Excessive risk concentration
Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular 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.

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 derivative instruments to manage excessive risk concentrations when they arise

31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Investment in sukuk	**6,000,000**	6,000,000	6,000,000
Margin client receivables, net	**33,527,250**	53,520,007	75,068,067
Due from related parties	**14,975,799**	8,065,667	3,289,292
Other current financial assets	**3,937,322**	8,226,202	13,217
Investment in a listed managed fund – REIT	**25,538,360**	-	-
Investment in unlisted managed funds	**28,788,791**	46,860,167	71,336,170
Investment in discretionary portfolio management (DPM)	**11,012,345**	15,478,829	14,845,835
Investment in treasury bills	**4,675,414**	3,699,552	-
	128,455,281	141,850,424	170,552,581

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

31 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 sufficient funds are available from Shareholders and related parties at all times 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:

31 December 2018	*On Demand* SR	*Within 3 months* SR	*3 months to 1 year* SR	*Above 1 year* SR	*No fixed maturity* SR	*Total* SR
Bank overdraft	-	-	-	-	-	-
Due to related parties	-	**79,441**	-	-	-	**79,441**
Accrued expenses and other payables	-	**15,373,051**	**1,214,739**	-	-	**16,587,790**
Total financial liabilities	-	**15,452,492**	**1,214,739**	-	-	**16,667,231**
31 December 2017						
Bank overdraft	-	15,720	-	-	-	15,720
Due to related parties	-	218,500	-	-	-	218,500
Accrued expenses and other payables	-	3,839,470	1,504,222	-	-	5,343,692
Total financial liabilities	-	4,073,690	1,504,222	-	-	5,577,912
1 January 2017						
Bank overdraft	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-
Accrued expenses and other payables	-	8,909,473	1,202,297	-	-	10,111,770
Total financial liabilities	-	8,909,473	1,202,297	-	-	10,111,770

31 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, in particular commission and foreign currency rates, remain constant.

Effect on profit and loss	***2018***		*2017*	
		SR		*SR*
Net gain (loss) on investments held at FVPL	**+ 5%**	106,107	+ 5%	180,226
	- 5%	106,107	- 5%	180,226

Effect on other comprehensive income	***2018***		*2017*	
		SR		*SR*
Net gain (loss) on investments held at FVOCI	**+ 5%**	263,787	+ 5%	-
	- 5%	263,787	- 5%	-

31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

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 FVPL and FVOCI, by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

% of equity securities and units in managed funds

	31 December 2018	*31 December 2017*	*1 January 2017*
Kingdom of Saudi Arabia	**100%**	90%	99%
Egypt	-	10%	1%

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 2018	*31 December 2017*	*1 January 2017*
REIT Funds	**48%**	-	-
Unlisted Funds	**52%**	-	-
Banks	-	21%	23%
Insurance	-	19%	18%
Telecommunication	-	17%	12%
Energy	-	12%	10%
Retail	-	10%	15%
Food and beverages	-	9%	11%
Software	-	5%	8%
Auto parts and equipment	-	5%	3%
Other	-	2%	-

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.

32 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted receipts and payments

31 December 2018	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Investment at amortised cost	-	**6,000,000**	**6,000,000**
Investments at fair value through profit or loss	-	**24,861,884**	**24,861,884**
Investments at fair value through other comprehensive income	-	**25,538,360**	**25,538,360**
Due from related parties	**14,975,799**	-	**14,975,799**
Margin client receivables, net	**33,527,250**	-	**33,527,250**
Other current financial assets	**3,937,322**	-	**3,937,322**
Investments at fair value through profit or loss	**19,614,666**	-	**19,614,666**
Time deposit	**36,800,000**	-	**36,800,000**
Bank balances	**5,904,170**	-	**5,904,170**
TOTAL ASSETS	**114,759,207**	**56,400,244**	**171,159,451**
LIABILITIES			
Due to related parties	**79,441**	-	**79,441**
Accrued expenses and other payables	**16,667,231**	-	**16,667,231**
TOTAL LIABILITIES	**16,746,672**	-	**16,746,672**

31 December 2017	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Investment at amortised cost	-	6,000,000	6,000,000
Investments at fair value through profit or loss	-	41,295,179	41,295,179
Due from related parties	8,065,667	-	8,065,667
Margin client receivables, net	53,520,007	-	53,520,007
Other current financial assets	8,226,202	-	8,226,202
Investments at fair value through profit or loss	24,734,578	-	24,734,578
Bank balances	10,968,658	-	10,968,658
TOTAL ASSETS	105,515,112	47,295,179	152,810,291
LIABILITIES			
Bank overdraft	15,720	-	15,720
Due to related parties	218,750	-	218,750
Accrued expenses and other payables	5,343,692	-	5,343,692
TOTAL LIABILITIES	5,578,162	-	5,578,162

32 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

1 January 2017	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Investment at amortised cost	-	6,000,000	6,000,000
Investments at fair value through profit or loss	-	65,585,607	65,585,607
Due from related parties	3,289,292	-	3,289,292
Margin client receivables, net	75,068,067	-	75,068,067
Other current financial assets	13,217	-	13,217
Investments at fair value through profit or loss	20,596,398	-	20,596,398
Bank balances	9,200,340	-	9,200,340
TOTAL ASSETS	108,167,314	71,585,607	179,752,921
LIABILITIES			
Accrued expenses and other payables	10,111,770	-	10,111,770
TOTAL LIABILITIES	10,111,770	-	10,111,770

33 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 Derayah

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:

31 December 2018	***Brokerage***	***Asset management***	***Murabaha***	***Investment***	***Other***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total assets	**73,499,517**	**109,480,147**	**4,539,816**	**7,102,565**	**4,873,063**	**199,495,108**
Total liabilities	**11,038,147**	**15,560,893**	**636,586**	**1,023,439**	**691,882**	**28,950,947**
Total operating income	**45,810,297**	**68,236,069**	**2,829,547**	**4,426,841**	**-**	**121,302,754**
Other income	**-**	**-**	**-**	**-**	**3,037,251**	**3,037,251**
Depreciation and amortization	**(2,294,719)**	**(3,418,066)**	**(141,737)**	**(221,748)**	**(152,143)**	**(6,228,413)**
Operating expenses	**(33,114,541)**	**(49,686,699)**	**(2,032,649)**	**(3,267,890)**	**(1,778,931)**	**(89,880,710)**
Net income before zakat	**10,401,037**	**15,131,304**	**655,161**	**937,203**	**1,106,177**	**28,230,882**

31 December 2017	*Brokerage*	*Asset management*	*Murabaha*	*Investment*	*Other*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Total assets	113,509,611	41,186,794	7,137,107	12,289,997	8,343,993	182,467,502
Total liabilities	3,247,535	6,534,844	1,132,399	1,949,975	1,323,887	14,188,640
Total operating income	45,382,583	16,467,003	2,853,506	4,913,697		69,616,789
Other income	-	-	-	-	3,336,034	3,336,034
Depreciation and amortization	(3,170,961)	(1,150,578)	(199,379)	(343,329)	(233,095)	(5,097,342)
Operating expenses	(48,623,098)	(17,642,819)	(3,057,259)	(5,264,556)	(3,508,894)	(78,096,626)
Net income before zakat	(6,411,476)	(2,326,394)	(403,132)	(694,188)	(405,955)	(10,241,145)

1 January 2017	*Brokerage*	*Asset management*	*Murabaha*	*Investment*	*Other*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Total assets	121,409,888	43,958,753	46,052,027	(4,186,548)	2,092,666	209,326,786
Total liabilities	10,524,339	3,810,536	3,991,991	(362,908)	180,846	18,144,804

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

34 CAPITAL 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 2018, Derayah Financial Company does not have any capital commitments.

As of 31 December 2018, Derayah Financial Company has ongoing rental agreements amounting to SR 1.65 million due in one year, SR 4.95 million due in the next 2 to 5 years and SR nil due in more than 5 years.

35 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 2018 SR	*31 December 2017 SR*
Capital base:		
Tier 1 Capital	**163,518**	157,952
Tier 2 Capital	**-**	3,315
Total Capital base	**163,518**	161,267
Minimum capital requirement:		
Credit risk	**41,216**	66,247
Market risk	**6,623**	4,443
Operational risk	**24,027**	19,998
Total minimum capital required	**71,866**	90,688
Capital adequacy ratio:		
Total Capital ratio (times)	**2.28**	1.78
Surplus in the Capital	**91,652**	79,579

a) The capital base consists of Tier 1 capital (which includes share capital and audited retained earnings). The Company does not have Tier 2 capital as per article 4 and 5 of the Prudential Rules during the year (2017: SR 3,315). 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.

36 ASSETS UNDER MANAGEMENT

These represent client's cash accounts with the Company as at 31 December 2018 SR 4,099 million (2017: SR 1,492 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.

37 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since 31 December 2018 that would have a material impact on the financial position or financial performance of the Company as reflected in these financial statements.

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Management on 25 March 2019 (corresponding to 18 Rajab 1440H).