DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2019

KPMG Al Fozan & Partners
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License No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the shareholders of Derayah Financial Company

Opinion

We have audited the financial statements of **Derayah Financial Company** ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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.

Other matter

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2019.

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

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

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

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

KPMG

Independent auditor's report

To the shareholders of Derayah Financial Company (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Al Fozan & Partners
Certified Public Accountants

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C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Hani Hamzah A. Bedairi
License No: 460

Riyadh on: 6 Sha'ban 1441H
Corresponding to: 30 March 2020

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER
(Amount in Saudi Riyals)

	Notes	**2019**	2018
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	*7*	**21,972,380**	19,076,163
Intangible assets, net	*8*	**7,423,880**	7,944,771
Investment at amortised cost	*9*	**6,000,000**	6,000,000
Investments at fair value through profit or loss	*10*	**5,607,143**	24,861,884
Investments at fair value through other comprehensive income	*11*	**31,999,143**	25,538,360
TOTAL NON-CURRENT ASSETS		**73,002,546**	83,421,178
CURRENT ASSETS			
Due from related parties	*15*	**21,715,261**	14,975,799
Margin client receivables, net	*12*	**51,895,193**	33,527,250
Prepayments		**873,569**	1,314,723
Other current financial assets		**8,235,043**	3,937,322
Investments at fair value through profit or loss	*10*	**68,331,866**	19,614,666
Time deposits	*13*	**-**	36,800,000
Bank balances	*14*	**11,304,018**	5,904,170
TOTAL CURRENT ASSETS		**162,354,950**	116,073,930
TOTAL ASSETS		**235,357,496**	199,495,108
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Employee defined benefit obligations, net	*16*	**9,502,912**	7,520,579
Lease liability		**791,485**	--
TOTAL NON-CURRENT LIABILITIES		**10,294,397**	7,520,579
CURRENT LIABILITIES			
Due to related parties	*15*	**263,848**	79,441
Accrued expenses and other payables	*17*	**30,420,617**	17,850,927
Zakat payable	*18*	**8,000,000**	3,500,000
TOTAL CURRENT LIABILITIES		**38,684,465**	21,430,368
TOTAL LIABILITIES		**48,978,862**	28,950,947
EQUITY			
Share capital	*19*	**161,090,130**	161,090,130
Statutory reserve	*20*	**9,036,033**	6,458,132
Retained earnings		**16,283,145**	9,191,048
Other reserve		**(30,674)**	(6,195,149)
TOTAL EQUITY		**186,378,634**	170,544,161
TOTAL LIABILITIES AND EQUITY		**235,357,496**	199,495,108

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

	Notes	**2019**	2018
OPERATING INCOME			
Revenue from contracts with customers	*22*	**118,273,449**	114,046,366
Special commission income		**5,355,554**	2,829,547
Gain on investments, net	*23*	**2,470,372**	2,122,147
Dividend income		**1,814,828**	2,304,694
TOTAL OPERATING INCOME		**127,914,203**	121,302,754
OPERATING EXPENSES			
Salaries and employee related expenses	*24*	**(53,699,281)**	(55,879,628)
Other general and administrative expenses	*25*	**(40,620,703)**	(37,247,263)
Impairment charge for credit losses	*12*	**(2,307)**	(2,803)
Marketing expenses		**(2,545,558)**	(2,979,429)
TOTAL OPERATING EXPENSES		**(96,867,849)**	(96,109,123)
NET OPERATING INCOME		**31,046,354**	25,193,631
Other income	*26*	**2,581,166**	3,037,251
INCOME BEFORE ZAKAT		**33,627,520**	28,230,882
Zakat	*18*	**(7,848,509)**	(4,256,196)
INCOME FOR THE YEAR		**25,779,011**	23,974,686
Other comprehensive income /(loss) not to be reclassified to income subsequently			
Financial assets at fair value through OCI – net change in fair value	*11*	**6,460,783**	(5,275,743)
Remeasurement loss on defined benefit plan	*16*	**(296,308)**	(324,631)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**6,164,475**	(5,600,374)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**31,943,486**	18,374,312
EARNINGS PER SHARE			
Basic and diluted, earning per share	27	**1.60**	1.49

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2019 and 2018
(Amounts in Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
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 for the year	--	--	(5,600,374)	--	(5,600,374)
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**
Income for the year	**--**	**--**	**--**	**25,779,011**	**25,779,011**
Other comprehensive income for the year	**--**	**--**	**6,164,475**	**--**	**6,164,475**
Dividends distribution (note 21)	**--**	**--**	**--**	**(16,109,013)**	**(16,109,013)**
Transfer to statutory reserve	**--**	**2,577,901**	**--**	**(2,577,901)**	**--**
Balance at 31 December 2019	**161,090,130**	**9,036,033**	**(30,674)**	**16,283,145**	**186,378,634**

DERAYAH FINANCIAL COMPANY
(A CLOSED JOINT STOCK COMPANY)

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

	Notes	2019	2018
OPERATING ACTIVITIES			
Income before zakat		**33,627,520**	28,230,882
Non-cash adjustment to reconcile income before zakat to net cash flows:			
Depreciation and amortization	*25*	**6,903,237**	6,228,413
Provisions for employee benefit obligations	*16*	**1,791,056**	1,513,028
Gain on investments, net	*23*	**(2,470,372)**	(2,122,147)
Impairment charge for credit losses	*12.1*	**2,307**	2,308
Operating cash flows before working capital changes		**39,853,748**	33,852,979
Margin client receivables, net		**(18,370,250)**	19,989,954
Other current financial assets		**(4,583,535)**	4,288,880
Prepayments		**1,506,920**	214,518
Due from related parties, net		**(6,555,055)**	(7,049,441)
Accrued expenses and other payables		**10,113,093**	11,995,669
Bank overdrafts		**--**	(15,720)
		21,964,921	63,276,839
Zakat paid	*18*	**(3,348,509)**	(2,856,221)
End of service benefits paid	*16*	**(105,031)**	(315,967)
Cash generated from operating activities		**18,511,381**	60,104,651
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**(61,711,600)**	(73,606,271)
Purchase of financial assets at FVOCI		**--**	(30,814,103)
Sale proceeds from financial assets at FVTPL		**35,005,327**	97,281,625
Addition of property and equipment		**(2,970,019)**	(1,283,471)
Time deposit		**36,800,000**	(36,800,000)
Purchase of intangible assets	*8*	**(2,652,628)**	(3,837,906)
Cash generated from/ (used in) investing activities		**4,471,080**	(49,060,126)
FINANCING ACTIVITY			
Dividends paid	*21*	**(16,109,013)**	(16,109,013)
Lease liability paid		**(1,473,600)**	
Cash used in financing activity		**(17,582,613)**	(16,109,013)
NET INCREASE /(DECREASE) IN BANK BALANCES DURING THE YEAR		**5,399,848**	(5,064,488)
Cash and cash equivalents at the beginning of the year		5,904,170	10,968,658
BANK BALANCES AT THE END OF THE YEAR		**11,304,018**	5,904,170
NON-CASH SUPPLEMENTAL INFORMATION			
Right of use asset		**2,492,931**	--
Lease liabilities		**(1,956,086)**	--

The attached notes 1 to 36 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 23 September 2014.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement and presentation

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

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

2.3 Functional and presentation currency

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

3. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Effective 1 January 2019 the Company adopted IFRS 16 "Leases" which replaces the existing guidance on leases included in IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". The impact of the adoption of this standard is explained below:

Before 1 January 2019, the Company followed the below accounting policy for leases in which the Company was a lessee:

Operating leases
Where the Company was a lessee, rental payments were recognised as expenses in the statement of profit or loss on a straight-line method over the lease contract period.

Accounting policy applicable on and after 1 January 2019:
On initial recognition at inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets
The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets' value.

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

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

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

(Amounts in Saudi Riyals)

3. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

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

IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to recognised the lease liabilities as of 1 January 2019:

RECONCILIATION OF LEASE LIABILITIES

	1 January 2019
Off-balance sheet lease obligations as of 31 December 2018	**3,526,000**
Current leases with a lease term of 12 months or less & low-value leases	--
Net lease obligations as of 1 January 2019 (Gross without discounting)	**3,526,000**
Discounted Lease liabilities due to initial application of IFRS 16 as 1 January 2019	**3,248,082**

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous year financial statements, except for the policies in note 3.

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

4.1 Financial instruments

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Financial instruments (continued)

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.

4.3 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Property and equipment (Continued)

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

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

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

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

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

4.4 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 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.

4.6 Accrued expenses

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

4.7 Zakat

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

4.8 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.

4.9 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.

4.10 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Cash and cash equivalents

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

4.12 Revenue from contracts with customers

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

a) Fee and commission income:

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

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

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

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

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

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Revenue from contracts with customers (Continued)

b) Other operating income

Advisory fee income

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

Miscellaneous service income

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

4.13 Gains or loss on investments

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

4.14 Dividend income

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

4.15 Special commission income and expense

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

4.16 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.

4.17 Share based payments

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

4.18 Bank overdrafts

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

4.19 Margin client's receivables

The margin client's receivables arise within brokerage business as Shariyah compliant margin financing. Margin client's receivables are recognized when cash/limits 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.

5 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

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 4.1 Impairment - Financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

5.2 Assumptions for employee benefit obligations

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

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.

5.5 Useful lives of property, plant and equipment

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

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

5.6 Going concern

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

(Amounts in Saudi Riyals)

5 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

5.7 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

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2019 and accordingly adopted by the Company, as applicable:

Standard / Amendments	***Description***
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayment features in negative compensation
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle

Except for IFRS 16, the adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

b) Standards issued but not yet effective

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

Standards / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022

(Amounts in Saudi Riyals)

7 PROPERTY AND EQUIPMENT, NET

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

	Land and building	Leasehold improvements	Computers and office equipment	Furniture, fixtures and fittings	Total
Cost					
At the beginning of the year, 1 January 2018	12,299,352	5,211,367	23,857,519	2,035,614	43,403,852
Additions during the year	--	49,956	1,233,515	--	1,283,471
Disposals during the year	--	--	--	--	--
At the end of the period, 31 December 2018	12,299,352	5,261,323	25,091,034	2,035,614	44,687,323
Accumulated depreciation					
At the beginning of the year, 1 January 2018	--	2,967,703	18,236,084	1,327,629	22,531,416
Charge during the year	--	603,167	2,295,721	180,856	3,079,744
Disposals during the year	--	--	--	--	--
At the end of the period, 31 December 2018	--	3,570,870	20,531,805	1,508,485	25,611,160
Net book value					
As at December 31, 2018	12,299,352	1,690,453	4,559,229	527,129	19,076,163

(Amounts in Saudi Riyals)

8 INTAGIBLE ASSETS, NET

Intangible assets comprise mainly of internally developed software.:

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

	Work in Progress	Software	Total
Cost			
At the beginning of the year, 1 January 2018	--	31,899,360	31,899,360
Additions during the year	845,368	2,992,538	3,837,906
At the end of the year, 31 December 2018	845,368	34,891,898	35,737,266
Accumulated amortization			
At the beginning of the year, 1 January 2018	--	24,643,826	24,643,826
Charge during the year	--	3,148,669	3,148,669
At the end of the year, 31 December 2018	--	27,792,495	27,792,495
Net book value			
As at 31 December 2018	845,368	7,099,403	7,944,771

9 INVESTMENT AT AMORTISED COST

	Maturity date	**31 December 2019**	31 December 2018
Al Bilad Bank sukuk	30 August 2026	**6,000,000**	6,000,000

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

9.1 The Company has assessed the impairment of investment at amortised cost during the year and no impairment charge has been recorded (31 December 2018: Nil).

(Amounts in Saudi Riyals)

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

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

	31 December 2019		
	Cost	**Unrealized Gain (Loss)**	**Fair Value**
Current investments at FVTPL			
Mutual funds (note 10.1)	**668,200**	**33,029**	**701,229**
Money market fund (note 10.2)	**40,160,000**	**(123,403)**	**40,036,597**
Local equities listed in Tadawul (10.3)	**989,025**	**250,203**	**1,239,228**
Treasury bill (10.4)	**2,661,469**	**165,636**	**2,827,105**
Real estate fund (10.5)	**25,870,752**	**(2,343,045)**	**23,527,707**
Total current investments at FVTPL	**70,349,446**	**(2,017,580)**	**68,331,866**
Non-current investments at FVTPL			
Mutual fund (10.6)	**5,521,796**	**85,347**	**5,607,143**
Total non-current investments at FVTPL	**5,521,796**	**85,347**	**5,607,143**
Total investments at FVTPL	**75,871,242**	**(1,932,233)**	**73,939,009**

	31 December 2018		
	Cost	Unrealized Gain (Loss)	Fair Value
Current investments at FVTPL			
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 FVTPL	19,985,316	(370,650)	19,614,666
Non-current investments at FVTPL			
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 FVTPL	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

10.1 Investments in mutual funds mainly represent 105,157 units (31 December 2018: 617,992 units) in the Company’s managed Derayah IPO Fund.

(Amounts in Saudi Riyals)

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

10.2 Investments in money market fund represents 1,261,740 units (31 December 2018: 64,873 units) in Al Rajhi Commodity Fund, Al-Mubarak SAR Trade Fund and Al Yusr Morabaha & Sukuk Fund.

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 with profit rate of 7.36% per anum.

10.5 Investment in real estate fund represents 22,705 units (31 December 2018: 22,705 units) in the Company’s managed unlisted Durrat Al Khaleej Real Estate Fund.

10.6 Investment in mutual fund represents 276,697 units (31 December 2018: 110,004 units) in the Company’s managed unlisted Derayah Healthcare Fund, Derayah Asia Venture Capital fund and Derayah Venture Capital Fund. The investment has been treated as non-current because the funds have termination date after one year from the reporting date.

11 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019		
	Cost	***Unrealized Gain (Loss)***	***Fair Value***
REIT fund (note 11.1)	**30,814,103**	**1,185,040**	**31,999,143**

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

11.1 Investments in REIT fund represents 3,047,537 units (31 December 2018: 3,047,537 units) in Derayah REIT fund that is a listed fund in Tadawul and managed by the Company.

12 MARGIN CLIENT RECEIVABLES, NET

	31 December	
	2019	2018
Margin clients receivables	**51,900,303**	33,530,053
Impairment charge for credit losses (note 12.1)	**(5,110)**	(2,803)
	51,895,193	33,527,250

12.1 Movement of impairment charge for credit losses

	31 December	
	2019	2018
Balance at the beginning of the year	**2,803**	-
Impairment charge for the year	**2,307**	2,803
Balance at the end of the year	**5,110**	2,803

(Amounts in Saudi Riyals)

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. Time deposits as at 31 December 2019 were nil (31 December 2018: SR 36,800,000)

14 BANK BALANCES

	31 December	
	2019	2018
Cash at banks	**11,304,018**	5,904,170

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

15 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

		For the year ended 31 December	
Name of related party	***Nature of transaction***	**2019**	2018
Derayah REIT	*Transaction fees*	**2,479,477**	40,987,631
Derayah REIT	*Management fees*	**8,729,694**	7,031,170
Derayah Healthcare fund	*Management fees*	**1,058,986**	1,194,923
Derayah Real Estate Income Fund II	*Management fees*	**--**	887,000
Derayah Real Estate Income Fund III	*Management fee*	**1,599,065**	--
Derayah Real Estate Income Fund III	*Transaction fees*	**10,344,938**	--
Derayah Trade Finance Fund	*Management fees*	**4,273,048**	3,170,682
Derayah Trade Finance Fund	*Performance fee*	**3,375,013**	4,619,341
Derayah IPO Fund	*Management fees*	**366,239**	1,265,425
Derayah Asia Venture Capital Fund	*Management fees*	**592,764**	--
Derayah Venture Capital Fund	*Management fees*	**1,088,883**	--
Derayah Private Fund 10	*Management fees*	**317,445**	59,717.35
Derayah Free Style Fund	*Management fees*	**204,334**	240,615.00
Derayah Private Fund 100	*Management fees*	**89,116**	294,243.20
Durat Al Khalij Real Estate Fund	*Payments made on behalf of the Company*	**3,870,265**	1,727,967
Derayah Education Fund	*Payments made on behalf of the Company*	**--**	1,448,388
Derayah new company	*Payments made on behalf of the Company*	**2,062,101**	807,504
Derayah Credit Fund	*Payments made on behalf of the Company*	**--**	146,538

(Amounts in Saudi Riyals)

15 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	For the year ended 31 December	
	2019	2018
Salaries and employee related benefits	**16,527,010**	19,407,109
Board of Directors remuneration	**1,300,000**	1,400,000

Balances resulting from transactions with related parties is as follow:

		31 December	
	Nature of Balance	**2019**	2018
Related party receivables			
Derayah REIT	*Management fee receivable*	4,613,296	8,653,402
Derayah Real Estate Income Fund II	*Management fee receivable*	1,730,292	1,506,748
Derayah Real Estate Income Fund III	*Management fee receivable*	2,947,955	-
Durat Al Khalij Real Estate Fund	*Management fee receivable*	5,342,977	1,472,712
Derayah Education Fund	*Due from related party*	1,448,388	1,448,388
Derayah new company	*Due from related party*	2,869,605	807,504
Derayah Health Care Fund	*Management fee receivable*	589,385	629,656
Derayah Credit Fund	*Due from related party*	146,538	146,538
Derayah Venture Capital Fund	*Management fee receivable*	1,304,044	92,899
Derayah US Real Estate Fund	*Due from related party*	-	91,332
Derayah USD Trade Finance	*Due from related party*	-	80,474
Derayah IPO Fund	*Management fee receivable*	29,543	32,519
Derayah SME Fund	*Due from related party*	-	9,375
Derayah Private Fund 10	*Management fee receivable*	34,580	4,252
Derayah Freestyle Saudi Equity Fund	*Management fee receivable*	36,255	-
Derayah Asia Venture Capital Fund	*Management fee receivable*	622,403	-
		21,715,261	14,975,799

		31 December	
	Nature of Balance	**2019**	2018
Related party payables			
Derayah trading finance fund	*Due to related party*	**(263,848)**	(63,000)
Derayah freestyle Saudi equity fund	*Due to related party*	**-**	(16,441)
		(263,848)	(79,441)

15.1 The Company has assessed the impairment of related party receivables during the year and no impairment charge has been recorded (31 December 2018: Nil).

(Amounts in Saudi Riyals)

16 EMPLOYEE DEFINED BENEFIT OBLIGATIONS, NET

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

	For the year ended 31 December	
	2019	2018
Balance at beginning of the year	**7,520,579**	5,998,887
Current service cost	**1,490,233**	1,287,549
Interest cost	**300,823**	225,479
Amount recognized in profit or loss account	**1,791,056**	1,513,028
Remeasurement (gain)/ loss		
Actuarial (gain)/ loss arising from:		
Demographic assumptions	**103,312**	--
Financial assumptions	**31,287**	(35,130)
Experience assumptions	**161,709**	359,761
Actuarial losses recognised in OCI	**296,308**	324,631
Benefits paid during the year	**(105,031)**	(315,967)
Balance at the end of the year	**9,502,912**	7,520,579

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2019 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	
	2019	2018
Financial assumptions		
Discount rate used	**2.93%**	4%
Salary growth rate	**2.50%**	3%; 4%
Demographic assumptions		
Retirement age	**60**	60

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

	31 December	
	2019	2018
Discount Rate +1%	**(890,538)**	(717,110)
Discount Rate -1%	**1,040,232**	840,560
Long Term Salary Increases +1%	**932,232**	754,976
Long Term Salary Increases -1%	**(817,409)**	(659,709)

(Amounts in Saudi Riyals)

17 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	2019	2018
Bonus payable	**14,000,000**	11,200,000
Accounts and other payables	**11,152,350**	3,998,660
Accrued salaries	**1,677,113**	1,214,738
VAT payable	**1,299,604**	805,712
Current portion of lease liability (note 3)	**1,164,601**	--
GOSI Payable	**400,310**	327,984
Accounts payable	**676,639**	253,833
Others	**50,000**	50,000
	30,420,617	17,850,927

18 ZAKAT PAYABLE

Movement in provision for zakat during the years ended 31 December 2019 and 2018, is as follows:

		For the year ended 31 December	
	Notes	**2019**	2018
At the beginning of the year		**3,500,000**	2,100,025
Zakat charge for the current year	*18.1 & 18.2*	**7,848,509**	4,256,196
Paid during the year		**(3,348,509)**	(2,856,221)
At the end of the year		**8,000,000**	3,500,000

18.1 Components of zakat base and provision

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

	31 December	
	2019	2018
Equity	**175,178,301**	170,845,680
Book value of long-term assets	**(26,903,329)**	(27,020,934)
Financial assets at FVTPL	**--**	(50,400,244)
	148,274,972	93,424,502
Impact of conversion of Hijri to Gregorian year	**4,607,414**	--
	152,882,386	93,424,502
Adjusted net income for the year	**35,425,347**	29,731,943
Zakat base	**188,307,733**	123,156,445
Zakat charge for the year @ 2.5%	**4,707,693**	3,078,911

18.2 Status of assessments

The company has filed its zakat and tax returns for the years since inception and has settled the zakat and tax liability as per the returns. During the year 2018, the GAZT has issued the assessment against the years 2010 to 2013 claiming an additional zakat, income tax and withholding tax liability amounting to SR 4.7 million, SR 0.049 million and SR 0.65 million respectively. Out of these claims the Company has provided for SR 3.14 million during the year (31 December 2018: SR 1.18 million). The Company has filed an objection against GAZT assessment and awaiting their case to be heard with the General Secretary of the Tax committees.

(Amounts in Saudi Riyals)

19 SHARE CAPITAL

	31 December	
	2019	2018
Ordinary share capital (SR 10 per share)	161,090,130	161,090,130

Authorised, issued and fully paid ordinary share capital of SR 161 million (31 December 2018: SR 161 million) is divided into 16,109,013 shares (31 December 2018: 16,109,013 shares) of SR 10 each.

20 STATUTORY RESERVES

The 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. The reserve is not available for distribution to the shareholders of the Company.

21 DIVIDENDS

The Board of Directors, through the power vested by the shareholders during the Annual General Assembly, in their meeting held on 10 Ramadhan 1440H (corresponding 15 May 2019) & 27 Rabi Alawal 1441H (corresponding 24 November 2019) approved the interim cash dividend of 5% of share capital at SR 0.50 per share for distribution from the retained earnings. Total cash dividend declared and paid during the year amounting to SR 16,109,013 (2018: SR 16,109,013).

22 REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the year ended 31 December 2019		
	Brokerage Fees	**Asset Management**	**Total**
Segments			
Types of service			
Brokerage services	**62,859,512**	**--**	**62,859,512**
Asset management services	**--**	**55,413,937**	**55,413,937**
Total revenue from contracts with customers	**62,859,512**	**55,413,937**	**118,273,449**
Geographical Markets			
Saudi Market	**34,411,332**	**55,413,937**	**89,825,269**
Non-Saudi Market	**28,448,180**	**--**	**28,448,189**
Total revenue from contracts with customers	**62,859,512**	**55,413,937**	**118,273,449**

	For the year ended 31 December 2018		
	Brokerage Fees	Asset Management	Total
Segments			
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
Non-Saudi Market	17,491,173	--	17,491,173
Total revenue from contracts with customers	45,810,297	68,236,069	114,046,366

(Amounts in Saudi Riyals)

22 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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 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.

23 GAIN ON INVESMENTS, NET

	For the year ended 31 December	
	2019	2018
Unrealized gain/ (loss) on investments at fair value through profit or loss, net	**313,108**	(2,565,922)
Realized gain on investments at fair value through profit or loss, net	**2,157,264**	4,688,069
	2,470,372	2,122,147

24 SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December	
	2019	2018
Salaries and employee related expenses	**49,393,829**	52,579,731
GOSI expense	**2,514,396**	1,786,869
End of service benefit	**1,791,056**	1,513,028
	53,699,281	55,879,628

(Amounts in Saudi Riyals)

25 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

		For the year ended 31 December	
	Note	**2019**	2018
Professional expenses		**9,213,222**	14,054,899
Commission expenses		**12,919,091**	5,343,585
Utilities		**5,488,025**	5,006,356
IT expenses		**3,884,083**	3,321,499
Amortization	*8*	**3,173,519**	3,148,669
Depreciation	*7*	**3,729,718**	3,079,744
Rent expenses		**--**	1,652,252
Office Expenses		**1,210,219**	876,086
Office Maintenance		**440,405**	441,120
Finance Charges		**527,460**	293,868
Other general and administrative expenses		**34,961**	29,185
		40,620,703	37,247,263

26 OTHER INCOME

	For the year ended 31 December	
	2019	2018
Foreign exchange gains, net	**2,239,528**	2,573,024
Others	**341,638**	464,227
	2,581,166	3,037,251

27 EARNINGS PER SHARE

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

	31 December	
	2019	2018
Income for the year	**25,779,011**	23,974,686
Weighted average number of ordinary shares	**16,109,013**	16,109,013
Basic and diluted, earnings per share	**1.60**	1.49

(Amounts in Saudi Riyals)

28 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	31 December	
	2019	2018
Financial assets at amortised cost		
Investment in sukuk	**6,000,000**	6,000,000
Margin client receivables, net	**51,895,193**	33,527,250
Due from related parties	**21,715,261**	14,975,799
Other current financial assets	**8,235,043**	3,937,322
Financial assets at fair value through OCI		
Investment in a listed managed fund – REIT	**31,999,143**	25,538,360
Financial assets at fair value through profit or loss		
Investment in listed managed funds	**40,737,826**	24,861,884
Investment in unlisted managed funds	**29,134,850**	13,950,227
Investment in discretion portfolio management (DPM)	**1,239,228**	989,025
Investment in treasury bills	**2,827,105**	4,675,414
Total financial assets	**193,783,649**	128,455,281
Total current	**150,177,363**	72,055,037
Total non-current	**43,606,286**	56,400,244

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

	31 December	
	2019	2018
Financial liabilities at amortised cost		
Lease liability	**791,485**	--
Due to related party	**263,848**	79,441
Accrued expenses and other payables	**28,720,703**	16,667,231
Total financial liabilities	**29,776,036**	16,746,672
Total current	**28,984,551**	16,746,672
Total non-current	**791,485**	--

(Amounts in Saudi Riyals)

29 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2019 and 31 December 2018 which are measured at fair value. There are no financial liabilities measured at fair value.

	Fair value measurement using			
	Total	**(Level 1)**	**(Level 2)**	**(Level 3)**
As at 31 December 2019				
Financial assets measured at fair value				
Investment in listed managed funds	**40,737,826**	**40,737,826**	--	--
Investment in unlisted managed funds	**29,134,850**	--	**29,134,850**	--
Investment in DPM	**1,239,228**	**1,239,228**	--	--
Investment in treasury bills	**2,827,105**	**-**	**2,827,105**	--
Investment in a listed managed fund – FVOCI	**31,999,143**	**31,999,143**	--	--
As at 31 December 2018				
Financial assets measured at fair value				
Investment in listed managed funds	13,950,227	13,950,227	--	--
Investment in unlisted managed funds	24,861,884	--	24,861,884	**--**
Investment in DPM	989,025	989,025	--	**--**
Investment in treasury bills	4,675,414	--	4,675,414	**--**
Investment in a listed managed fund – FVOCI	25,538,360	25,538,360	--	**--**

There were no transfers between levels during the year ended 31 December 2019 and 31 December 2018.

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.

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

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

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

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

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 alternative investment instruments to manage excessive risk concentrations when they arise

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be satisfactory. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

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

	31 December	
	2019	2018
Investment in sukuk	**6,000,000**	6,000,000
Margin client receivables, net	**51,895,193**	33,527,250
Due from related parties	**21,715,261**	14,975,799
Other current financial assets	**8,235,043**	3,937,322
Investment in a listed managed fund – REIT	**31,999,143**	25,538,360
Investment in a listed managed fund	**40,737,826**	24,861,884
Investment in unlisted managed funds	**29,134,850**	13,950,227
Investment in discretionary portfolio management (DPM)	**1,239,228**	989,025
Investment in treasury bills	**2,827,105**	4,614,414
	193,783,649	128,394,281

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Analysis of credit quality

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

Issuer	Credit rating	31 December 2019	31 December 2018
Bank Albilad	A 3	**6000,000**	6000,000
EFG Hermes	B 2	**2,827,105**	4,614,414
		8,827,105	10,614,414

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

	31 December 2019	31 December 2018
Banks	**8,827,105**	10,614,414

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

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

The Company has recorded expected credit loss on money market placements, investments at amortized cost and other assets amounting to SR 5,076 as at 31 December 2019 (31 December 2018: SR 2,803)

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.

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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

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:

	On Demand	Within 3 months	3 months to 1 year	Above 1 year	No fixed maturity	Total
31 December 2019						
Financial Assets						
Investment at amortised cost	-	-	-	6,000,000	-	6,000,000
Investments at FVTPL	-	-	5,446,457	68,492,552	-	73,939,009
Investments at FVOCI	-	-	-	31,999,143	-	31,999,143
Due from related parties	-	21,715,261	-	-	-	21,715,261
Margin client receivables, net	-	20,401,593	31,493,600	-	-	51,895,193
Other current financial assets	-	8,235,043	-	-	-	8,235,043
Bank balances	-	11,304,018	-	-	-	11,304,018
Total financial assets	-	61,655,915	36,940,057	106,491,695	-	205,087,667
Financial Liabilities						
Lease liability	-	-	-	906,342	-	906,342
Due to related parties	-	263,848	-	-	-	263,848
Accrued expenses and other payables	-	27,506,102	1,164,601	-	50,000	28,720,703
Total financial liabilities	-	27,769,950	1,164,601	906,342	50,000	29,840,893

(Amounts in Saudi Riyals)

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	On Demand	Within 3 months	3 months to 1 year	Above 1 year	No fixed maturity	Total
31 December 2018						
Financial Assets						
Investment at amortised cost	-	-	-	6,000,000	-	6,000,000
Investments at FVTPL	-	-	-	24,861,884	-	24,861,884
Investments at FVOCI	-	-	-	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
Short term deposit	-	36,800,000	-	-	-	36,800,000
Bank balances	-	5,904,170	-	-	-	5,904,170
Total financial assets	-	61,617,291	53,141,916	56,400,244	-	171,159,451
Financial Liabilities						
Due to related parties	-	79,441	-	-	-	79,441
Accrued expenses and other payables	-	15,373,051	1,214,739	-	50,000	16,637,790
Total financial liabilities	-	15,452,492	1,214,739	-	50,000	16,717,231

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.

30 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk (Continued)

	31 December			
Effect on profit and loss	**2019**		2018	
		SR		SR
Net gain (loss) on investments held at FVTPL	**+ 5%**	123,519	+ 5%	106,107
	- 5%	123,519	- 5%	106,107

	31 December			
Effect on other comprehensive income	**2019**		2018	
		SR		SR
Net gain (loss) on investments held at FVOCI	**+ 5%**	323,039	+ 5%	263,787
	- 5%	323,039	- 5%	263,787

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

% of equity securities and units in managed funds

	31 December	
	2019	**2018**
Kingdom of Saudi Arabia	100%	100%

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

% of equity securities and units in managed funds

	31 December	
	2019	2019
REIT Funds	**55%**	75%
Listed	**40%**	23%
Unlisted Funds	**5%**	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.

(Amounts in Saudi Riyals)

31 SEGMENTAL REPORTING

The Company is organized into the following major business segments:

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

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

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

Murabaha
Special commission income from Murabaha.

Others
Other segment is the residual segment of the Company.

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

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

31 December 2018	Brokerage	Asset management	Murabaha	Investment	Other	Total
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
Operating expenses	(35,409,260)	(53,104,765)	(2,174,386)	(3,489,638)	(1,931,074)	(96,109,123)
Net income before zakat	10,401,037	15,131,304	655,161	937,203	1,106,177	28,230,882

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

32 COMMITMENTS AND CONTINGENCIES

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

As at 31 December 2019, Derayah Financial Company does not have any capital commitments.

(Amounts in Saudi Riyals)

33 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

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

		31 December	
		2019	2018
Capital base:			
	Tier 1 Capital	**177,770**	163,518
	Tier 2 Capital	**1,185**	-
	Total Capital base	**178,955**	163,518
Minimum capital requirement:			
	Credit risk	**72,098**	41,216
	Market risk	**6,568**	6,623
	Operational risk	**24,217**	24,027
	Total minimum capital required	**102,883**	71,866
Capital adequacy ratio:			
	Total Capital ratio (times)	**1.74**	2.28
	Surplus in the Capital	**76,072**	91,652

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

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

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

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

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

34 ASSETS UNDER MANAGEMENT

These represent client's cash accounts with the Company as at 31 December 2019 SR 4,565 million (2018: SR 4,099 million) to be used for the purpose of making investment on behalf of the clients.

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

35 SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company.

36 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board on 23 March 2020 (corresponding to 28 Rajab 1441 H).