

DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
Together with
INDEPENDENT AUDITOR'S REPORT



KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the 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 Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") 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.

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 the SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the 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.

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 ISA 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.

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، التسمية سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent auditor's report

To the shareholders of Derayah Financial Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISA 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 the Company.

KPMG Professional Services

Hani Hamzah A. Bedair
License no: 460

Riyadh: 17 Shaban 1443H
Corresponding to: 20 March 2022



DERAYAH FINANCIAL COMPANY
(A Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Amount in Saudi Riyals)

	<i>Notes</i>	<u>2021</u>	<u>2020</u>
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	6	26,302,198	25,254,618
Right-of-use assets.net	7	8,791,034	1,439,871
Intangible assets, net	8	14,715,145	6,086,504
Investment at amortised cost	9	22,407,164	22,600,044
Investments at fair value through profit or loss	10	92,123,720	65,019,853
Investments at fair value through other comprehensive income	11	32,976,299	34,132,418
TOTAL NON-CURRENT ASSETS		<u>197,315,560</u>	<u>154,533,308</u>
CURRENT ASSETS			
Due from related parties	15	26,947,068	21,459,721
Margin client receivables, net	12	99,411,642	42,291,123
Prepayments		945,201	1,195,895
Other current financial assets	13	303,987,821	32,692,985
Investments at fair value through profit or loss	10	21,297,025	74,240,860
Cash and cash equivalents	14	94,150,040	51,300,216
TOTAL CURRENT ASSETS		<u>546,738,797</u>	<u>223,180,800</u>
TOTAL ASSETS		<u>744,054,357</u>	<u>377,714,108</u>
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Employee defined benefit obligations	16	18,378,555	14,880,062
Lease liability		6,927,284	--
TOTAL NON-CURRENT LIABILITIES		<u>25,305,839</u>	<u>14,880,062</u>
CURRENT LIABILITIES			
Due to related parties		--	1,610,985
Accrued expenses and other payables	17	92,976,822	71,276,253
Zakat payable	18	21,345,385	14,488,731
TOTAL CURRENT LIABILITIES		<u>114,322,207</u>	<u>87,375,969</u>
TOTAL LIABILITIES		<u>139,628,046</u>	<u>102,256,031</u>
EQUITY			
Share capital	19	161,090,130	161,090,130
Statutory reserve	20	48,327,039	19,489,943
Retained earnings		392,092,737	94,259,322
Other reserves		2,916,405	618,682
TOTAL EQUITY		<u>604,426,311</u>	<u>275,458,077</u>
TOTAL LIABILITIES AND EQUITY		<u>744,054,357</u>	<u>377,714,108</u>

The attached notes 1 to 37 form part of these financial statements

DERAYAH FINANCIAL COMPANY

(A Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

(Amounts in Saudi Riyals)

	<i>Notes</i>	<u>2021</u>	<u>2020</u>
OPERATING INCOME			
Revenue from contract with customers	22	575,068,755	268,647,863
Special commission income		8,394,180	5,942,194
Gain on investments, net	23	3,162,501	596,900
Dividend income		2,252,697	2,114,593
TOTAL OPERATING INCOME		<u>588,878,133</u>	<u>277,301,550</u>
OPERATING EXPENSES			
Salaries and employee related expenses	24	(98,288,378)	(82,144,913)
Other general and administrative expenses	25	(113,196,953)	(73,116,662)
Impairment charge for credit losses	26	(35,254)	(4,419,763)
Marketing expenses		(6,073,715)	(3,098,678)
TOTAL OPERATING EXPENSES		<u>(217,594,300)</u>	<u>(162,780,016)</u>
NET OPERATING INCOME		<u>371,283,833</u>	<u>114,521,534</u>
Other income	27	6,983,256	4,926,902
INCOME BEFORE ZAKAT		<u>378,267,089</u>	<u>119,448,436</u>
Zakat charge for the year	18	(12,788,017)	(14,909,336)
INCOME FOR THE YEAR		<u>365,479,072</u>	<u>104,539,100</u>
<i>Other comprehensive income /(loss) not to be reclassified to income subsequently</i>			
Financial assets at fair value through OCI – net change in fair value		4,867,763	2,133,275
Remeasurement loss on defined benefit plan	16	(1,106,068)	(1,483,919)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>3,761,695</u>	<u>649,356</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>369,240,767</u>	<u>105,188,456</u>
EARNINGS PER SHARE			
Basic and diluted, earning per share	28	<u>22.69</u>	<u>6.49</u>

The attached notes 1 to 37 form part of these financial statements

DERAYAH FINANCIAL COMPANY

(A Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

(Amounts in Saudi Riyals)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
As at 1 January 2020	161,090,130	9,036,033	1,185,040	(1,215,714)	16,283,145	186,378,634
Income for the year	--	--	--	--	104,539,100	104,539,100
Other comprehensive income / (loss) for the year	--	--	2,133,275	(1,483,919)	--	649,356
Dividends distribution (Note 21)	--	--	--	--	(16,109,013)	(16,109,013)
Transfer to Statutory reserve	--	10,453,910	--	--	(10,453,910)	-
Balance at 31 December 2020	161,090,130	19,489,943	3,318,315	(2,699,633)	94,259,322	275,458,077
Income for the year	--	--	--	--	365,479,072	365,479,072
Other comprehensive income / (loss) for the year	--	--	4,867,763	(1,106,068)	--	3,761,695
Realized gain on sale of investments at fair value through other comprehensive income	--	--	(1,463,972)	--	1,463,972	--
Dividends distribution (Note 21)	--	--	--	--	(40,272,533)	(40,272,533)
Transfer to Statutory reserve	--	28,837,096	--	--	(28,837,096)	--
Balance at 31 December 2021	161,090,130	48,327,039	6,722,106	(3,805,701)	392,092,737	604,426,311

The attached notes 1 to 37 form part of these financial statements

DERAYAH FINANCIAL COMPANY
(A CLOSED JOINT STOCK COMPANY)

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

		<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES	<i>Notes</i>		
Income before zakat		378,267,089	119,448,436
<i>Non-cash adjustment to reconcile income before zakat to net cash flows:</i>			
Depreciation and amortization	25	10,785,558	7,033,438
Provisions for employee defined benefit obligations	16	2,960,887	4,038,765
Gain on investments, net	23	(3,162,501)	(596,900)
Impairment charge for credit losses	26	35,254	4,419,763
Fixed assets written off, net		-	420,996
Operating cash flows before working capital changes		<u>388,886,287</u>	<u>134,764,498</u>
Margin client receivables, net		(57,145,000)	5,193,803
Other current financial assets		(271,308,426)	(3,405,449)
Prepayments		250,695	(322,326)
Due from related parties, net		(5,488,996)	(20,798,666)
Accrued expenses and other payables		29,491,433	42,526,590
		<u>84,685,993</u>	<u>157,958,450</u>
Zakat paid	18	(5,931,364)	(8,420,605)
End of service benefits paid	16	(568,462)	(145,534)
Cash generated from operating activities		<u>78,186,167</u>	<u>149,392,311</u>
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		(129,075,111)	(73,523,502)
Redemption of Investment at amortized cost		197,346	6,000,000
Sale proceeds from financial assets at FVTPL		158,077,579	8,798,697
Sale at fair value through other comprehensive income (FVOCI)		6,023,882	--
Addition of property and equipment and right-of-use assets		(16,045,694)	(9,266,384)
Purchase of Investment at amortized cost		--	(22,607,827)
Purchase of intangible assets	8	(11,767,248)	(1,572,784)
Cash generated from / (used in) investing activities		<u>7,410,754</u>	<u>(92,171,800)</u>
FINANCING ACTIVITIES			
Dividends paid	21	(40,272,533)	(16,109,013)
Lease liability paid		(2,474,564)	(1,115,300)
Cash used in financing activities		<u>(42,747,097)</u>	<u>(17,224,313)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		<u>42,849,824</u>	<u>39,996,198</u>
Cash and cash equivalents at the beginning of the year		<u>51,300,216</u>	<u>11,304,018</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>94,150,040</u>	<u>51,300,216</u>
NON-CASH SUPPLEMENTAL INFORMATION			
Right of use asset		<u>8,790,651</u>	<u>1,439,871</u>
Lease liabilities		<u>(9,108,363)</u>	<u>(934,657)</u>

The attached notes 1 to 37 form part of these financial statements

DERAYAH FINANCIAL COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACTIVITIES

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement and presentation

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

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.1 Financial instruments

Financial assets

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

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

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

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

Initial measurement

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

Subsequent measurement

Debt instruments

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

- ***Amortised cost***
Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- ***Fair Value through Other Comprehensive Income ("FVOCI")***
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

- *Fair Value through profit or loss (“FVTPL”)*

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

Equity instruments

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

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

De-recognition

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

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

Impairment

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

Financial liabilities

The Company classifies its financial liabilities, as held at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR). Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

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.

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 depreciation 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property and equipment (Continued)

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.

Right of Use Assets

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

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

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

After the commencement date, Company measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

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

3.4 Intangible assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (continued)

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

3.5 Employee defined benefit obligations

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

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

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

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

3.6 Accrued expenses

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

3.7 Zakat

The Company is domiciled in the Kingdom of Saudi Arabia. The Company is subject to Zakat in accordance with the Regulations of the Zakat, Tax and Custom Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia. The Zakat charge is computed on the Zakat base. An estimate of Zakat arising therefrom is provided by a charge to the statement of profit or loss.

3.8 Other liabilities

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

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

3.9 Contingent assets and liabilities

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Statutory reserve

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

3.11 Cash and cash equivalents

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

3.12 Revenue from contracts with customers

The Company generates following revenue streams that are covered under *IFRS 15 Revenue from Contracts with Customers*:

- a) Fee and commission income
- b) Other operating income

a) Fee and commission income:

Share brokerage service fee income

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

Subscription fees from investment funds

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

Management fees from investment funds

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

Performance fee from investment funds

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

In case of the Company, effect of clawback does not apply since the Company does not recognize 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)

b) Other operating income

Advisory fee income

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

Miscellaneous service income

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

3.13 Gains or loss on investments

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

3.14 Dividend income

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

3.15 Special commission income and expense

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

3.16 Expenses

Marketing expenses are those which specifically relate to promotion and marketing activities. 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 Margin client's receivables

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

4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates.

The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimate impacted by these forecasts and associated uncertainties is predominantly related to expected credit losses. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

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

4.1 Measurement of the expected credit loss allowance

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

4.2 Assumptions for employee defined 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.

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4 SIGNIFICANT JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.3 Fair value of securities not quoted in an active market

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

4.4 Useful lives of property, plant and equipment

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

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

4.5 Going concern

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

4.6 Useful lives of intangible assets

The Company's management determines the estimated useful lives of its intangible assets for calculating amortization. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The significant accounting policies adopted in the preparation of these financial statements are set out below.

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2020. Based on the adoption of new standards and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual audited financial statements.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

New standards, amendments and interpretations adopted in preparation of these financial statements

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021. The management has assessed that the amendments have no significant impact on the Company's financial statements.

- Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19 - Related Rent Concessions (Amendments to IFRS 16);
- Annual Improvements to IFRS Standards 2018–2020 (Amendment to IFRS 1, IFRS 9 and IAS 41);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Onerous contracts - Cost of Fulfilling a contract (Amendments to IAS 37).

New standards and amendments issued but not yet effective and not early adopted

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2022 are listed below. The Company has opted not to early adopt these pronouncements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Annual Improvements to IFRS Standards 2018-2020;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1 Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure Initiative: Accounting policies;
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

The management of the Company anticipates that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

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6 PROPERTY AND EQUIPMENT, NET

	<u>Land</u>	<u>Leasehold improvements</u>	<u>Computers and office equipment</u>	<u>Furniture, fixtures and fittings</u>	<u>Work in Progress</u>	<u>Total</u>
<i>Cost</i>						
At the beginning of the year 1 January 2021	12,299,352	5,372,624	32,443,831	2,100,022	-	52,215,829
Additions during the year	--	--	4,934,534	73,966	980,865	5,989,365
At the end of the year 31 December 2021	<u>12,299,352</u>	<u>5,372,624</u>	<u>37,378,365</u>	<u>2,173,988</u>	<u>980,865</u>	<u>58,205,194</u>
<i>Accumulated depreciation</i>						
At the beginning of the year 1 January 2021	-	4,691,566	20,169,623	2,100,022	-	26,961,211
Charge during the year	-	488,209	4,442,986	10,590	-	4,941,785
At the end of the year 31 December 2021	-	<u>5,179,775</u>	<u>24,612,609</u>	<u>2,110,612</u>	-	<u>31,902,996</u>
<i>Net book value as at 31 December 2021</i>	<u>12,299,352</u>	<u>192,849</u>	<u>12,765,756</u>	<u>63,376</u>	<u>980,865</u>	<u>26,302,198</u>
<i>Cost</i>						
At the beginning of the year 1 January 2020	12,299,352	5,372,624	24,932,196	1,946,277	-	44,550,449
Additions during the year	-	-	9,112,639	153,475	-	9,266,114
Written off during the year	-	-	(1,601,004)	-	-	(1,601,004)
At the end of the year 31 December 2020	<u>12,299,352</u>	<u>5,372,624</u>	<u>32,443,831</u>	<u>2,099,752</u>	-	<u>52,215,559</u>
<i>Accumulated depreciation</i>						
At the beginning of the year 1 January 2020	-	4,130,071	19,551,003	1,389,926	-	25,071,000
Charge during the year	-	561,495	1,798,628	709,826	-	3,069,949
Written off during the year	-	-	(1,180,008)	-	-	(1,180,008)
At the end of the year 31 December 2020	-	<u>4,691,566</u>	<u>20,169,623</u>	<u>2,099,752</u>	-	<u>26,960,941</u>
Net book value as at 31 December 2020	<u>12,299,352</u>	<u>681,058</u>	<u>12,274,208</u>	<u>-</u>	<u>-</u>	<u>25,254,618</u>

- 6.1 The Company holds a land on which Company has a plan to construct a new head office in the near future. This land is not held for rental or other appreciation purposes.
- 6.2 The work in progress relates to construction of new IT office.

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7 RIGHT-OF-USE ASSETS

	31 December	
	<u>2021</u>	<u>2020</u>
Cost		
At the beginning of the year	3,655,916	3,655,916
Additions during the year	10,056,329	--
At the end of the year	<u>13,712,245</u>	<u>3,655,916</u>
Accumulated depreciation		
At the beginning of the year	2,216,045	1,162,985
Charge during the year	2,705,166	1,053,060
At the end of the year	<u>4,921,211</u>	<u>2,216,045</u>
Net book value		
As at 31 December 2021	<u>8,791,034</u>	<u>1,439,871</u>

- 7.1 During the year the Company entered into new lease agreement for five years related to Prestige Centre in Riyadh i.e. new office.
- 7.2 Right-of-use assets balance include asset recognized upon adoption of IFRS 16 Leases. The movement of corresponding lease liability is as follows:

Movement in lease liability:

	31 December	
	<u>2021</u>	<u>2020</u>
At the beginning of the year	934,657	1,956,086
Additions during the year	10,056,329	--
Payment during the year	(2,474,564)	(1,115,300)
Finance cost on lease liability	591,941	93,871
At the end of the year	<u>9,108,363</u>	<u>934,657</u>

8 INTAGIBLE ASSETS, NET

Intangible assets comprise mainly of internally developed and externally acquired software.:

	<u>Work in</u>	<u>Software</u>	<u>Total</u>
	<u>Progress</u>		
Cost			
At the beginning of the year, 1 January 2021	--	39,962,678	39,962,678
Additions during the year	786,938	10,980,311	11,767,248
At the end of the year, 31 December 2021	<u>786,938</u>	<u>50,942,989</u>	<u>51,729,926</u>
Accumulated amortization			
At the beginning of the year, 1 January 2021	--	33,876,174	33,876,174
Charge during the year	--	3,138,607	3,138,607
At the end of the year, 31 December 2021	<u>--</u>	<u>37,014,781</u>	<u>37,014,781</u>
Net book value			
As at 31 December 2021	<u>786,938</u>	<u>13,928,208</u>	<u>14,715,145</u>

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8 INTAGIBLE ASSETS, NET

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

9 INVESTMENT AT AMORTISED COST

	<u>31 December</u>	
	<u>2021</u>	<u>2020</u>
Investment at amortized cost (note 9.1)	22,410,481	22,607,827
Impairment charge for credit losses (note 9.2)	<u>(3,317)</u>	<u>(7,783)</u>
	<u>22,407,164</u>	<u>22,600,044</u>

9.1 The breakup of the investment is as follows;

	<u>31 December</u>	31 December
	<u>2021</u>	<u>2020</u>
	<u><i>Maturity date</i></u>	
SAAB Tier II Sukuk	22 Jul 2030	5,000,000
KSA Sukuk 05-10-2019	23 Mar 2025	5,109,105
KSA Sukuk 05-01-2019	24 Oct 2023	2,607,183
KSA Sukuk 06-10-2018	23 Jan 2024	2,585,869
KSA Sukuk 05-07-2018	26 Jul 2024	2,513,992
KSA Sukuk 04-07-2020	25 Jul 2023	2,594,332
BSF Tier 1 Capital Sukuk	03 May 2026	2,000,000
		<u>22,410,481</u>
		<u>22,607,827</u>

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

9.2 The Company has assessed the impairment on investment at amortised cost during the year and an impairment charge of SR 3,317 has been recorded (31 December 2020: 7,783).

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10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2021		
	Cost	Unrealized Gain / (Loss)	Fair Value
Current investments at FVTPL			
Real estate fund (10.1)	<u>22,177,411</u>	<u>(880,386)</u>	<u>21,297,025</u>
Total current investments at FVTPL	<u>22,177,411</u>	<u>(880,386)</u>	<u>21,297,025</u>
Non-current investments at FVTPL			
Mutual funds (10.2)	<u>82,907,598</u>	<u>2,216,122</u>	<u>85,123,720</u>
Alinma Bank Tier 1 Sukuk	<u>7,000,000</u>	<u>---</u>	<u>7,000,000</u>
Total non-current investments at FVTPL	<u>89,907,598</u>	<u>2,216,122</u>	<u>92,123,720</u>
Total investments at FVTPL	<u>112,085,009</u>	<u>1,335,736</u>	<u>113,420,745</u>
	31 December 2020		
	Cost	Unrealized Gain / (Loss)	Fair Value
Current investments at FVTPL			
Money market fund	50,036,597	705,010	50,741,607
Local equities listed in Tadawul	1,239,227	82,615	1,321,842
Real estate fund	<u>23,527,707</u>	<u>(1,350,296)</u>	<u>22,177,411</u>
Total current investments at FVTPL	<u>74,803,531</u>	<u>(562,671)</u>	<u>74,240,860</u>
Non-current investments at FVTPL			
Mutual fund	<u>64,262,529</u>	<u>757,324</u>	<u>65,019,853</u>
Total non-current investments at FVTPL	<u>64,262,529</u>	<u>757,324</u>	<u>65,019,853</u>
Total investments at FVTPL	<u>139,066,060</u>	<u>194,653</u>	<u>139,260,713</u>

- 10.1 Investment in real estate fund represents 22,705 units (31 December 2020: 22,705 units) in the Company's managed unlisted Durrat Al Khaleej Real Estate Fund.
- 10.2 Investment in mutual fund represents in the Company's managed unlisted Derayah Healthcare Fund, Derayah Asia Venture Capital fund and Derayah Venture Capital Fund, Derayah Trade Finance Fund, Derayah Trade Finance Fund USD and Venturesouq MENA Fintech. The investment has been treated as non-current because the funds have termination date after one year from the reporting date.
- 10.3 During the year the Company made an investment in Alinma Bank Tier 1 Sukuk amounting to SR 7 million which has a coupon rate of 4% with a perpetual maturity.

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11 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021		
	Cost	Unrealized Gain	Fair Value
REIT fund (note 11.1)	<u>26,254,194</u>	<u>6,722,106</u>	<u>32,976,299</u>
	31 December 2020		
	Cost	Unrealized Gain	Fair Value
REIT fund (note 11.1)	<u>30,814,103</u>	<u>3,318,315</u>	<u>34,132,418</u>

- 11.1 Investments in REIT fund represents 2,596,559 units (31 December 2020: 3,047,537 units) in Derayah REIT fund that is a listed fund in Tadawul and managed by the Company. During the year 450,978 units were sold.

12 MARGIN CLIENT RECEIVABLES, NET

	31 December	
	<u>2021</u>	<u>2020</u>
Margin client receivables	103,851,500	46,706,500
Impairment charge for credit losses (note 12.1)	<u>(4,439,858)</u>	<u>(4,415,377)</u>
	<u>99,411,642</u>	<u>42,291,123</u>

- 12.1 Movement of impairment charge for credit losses

	31 December	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	4,415,377	5,110
Impairment charge for the year	<u>24,481</u>	<u>4,410,267</u>
Balance at the end of the year (note 12.2)	<u>4,439,858</u>	<u>4,415,377</u>

- 12.2 This includes SR 4,402,500 (31 December 2020: SR 4,402,500) held as an overlay against certain specific customers.

13 OTHER CURRENT FINANCIAL ASSETS

	31 December	
	<u>2021</u>	<u>2020</u>
Other current financial assets (note 13.2)	304,001,643	32,693,996
Impairment charge for credit losses (note 13.1)	<u>(13,912)</u>	<u>(1,011)</u>
	<u>303,987,731</u>	<u>32,692,985</u>

- 13.1 Movement of impairment charge for credit losses:

	31 December	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	1,011	---
Impairment charge for the year	<u>12,901</u>	<u>1,011</u>
Balance at the end of the year	<u>13,912</u>	<u>1,011</u>

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13 OTHER CURRENT FINANCIAL ASSETS (CONTINUED)

13.2 Breakup of other current financial assets include:

	31 December	
	<u>2021</u>	<u>2020</u>
Employees loans and advances	6,406,490	4,052,085
Brokerage receivables	10,795,109	5,552,354
Advance paid against investments (note 13.3)	136,811,184	--
Other receivables (note 13.4)	149,975,038	23,089,557
	<u>303,987,821</u>	<u>32,693,996</u>

13.3 The Company has paid SR 136.81 million as an advance against investment in shares of a new company (“D360 Bank”) which had been under the licensing process as at the reporting date. The license has been subsequently received on 15 February 2022.

13.4 Other receivables include receivables amounting to SR 146.94 million (31 December 2020: SR 21.05 million) relating to establishment of a new company and is recognised and measured at fair value through profit or loss. Based on the commitment letter which was later amended by allocation letter dated 18 August 2021 the prospective investors has agreed, on successful completion of the licensing process and formation of the new company, the Company will be entitled for reimbursement of these expenses. The license has been subsequently received on 15 February 2022.

14 CASH AND CASH EQUIVALENTS

	31 December	
	<u>2021</u>	<u>2020</u>
Cash at banks – current accounts	94,150,040	51,300,216

The bank balance is maintained with local 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:

<u>Name of related party</u>	<u>Nature of transaction</u>	For the year ended	
		31 December	
		<u>2021</u>	<u>2020</u>
Derayah REIT	<i>Receipt of management fee</i>	9,459,427	5,675,775
Derayah REIT	<i>Management fees</i>	9,039,964	8,455,387
Derayah Healthcare fund	<i>Management fees</i>	1,095,061	991,630
Derayah Real Estate Income Fund II	<i>Management fees</i>	205,068	1,916,667
Derayah Real Estate Income Fund III	<i>Management fee</i>	4,479,825	3,895,500
Derayah Real Estate Income Fund III	<i>Receipt of management fee</i>	1,288,765	1,125,000
Derayah Trade Finance Fund SAR	<i>Management fees</i>	7,357,878	6,480,734

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15 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances resulting from transactions with related parties is as follow:

<u>Name of related party</u>	<u>Nature of Balance</u>	<u>31 December</u>	
		<u>2021</u>	<u>2020</u>
Derayah REIT	Management fee receivable	4,503,226	4,922,691
Derayah Real Estate Income Fund II	Management fee receivable	1,551,453	1,040,574
Derayah Real Estate Income Fund III	Management fee receivable	2,258,323	2,258,323
Durat Al Khalij Real Estate Fund	Management fee receivable	10,565,620	9,150,621
Derayah trading finance fund	Due from related party	35,438	-
Derayah Health Care Fund	Management fee receivable	549,171	574,875
Derayah Venture Capital Fund	Management fee receivable	1,014,826	1,901,186
Derayah Private Fund 10	Management fee receivable	56,328	--
Derayah Freestyle Saudi Equity Fund	Management fee receivable	104,130	--
Derayah Asia Venture Capital Fund	Management fee receivable	1,647,942	1,612,153
Talal al-Yasmin fund	Transaction fees	2,185,000	--
AL-Wajiha al-arabia Fund	Transaction fees	2,300,000	--
Derayah Global VC	Management fee receivable	68,556	--
DERAYAH PRIVATE FUND 20	Management fee receivable	44,676	--
Derayah Private equity Fund	Management fee receivable	65,419	--
		<u>26,950,108</u>	<u>21,460,423</u>

16 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

The Company operates an approved unfunded employees' end of service benefit plan for its employees as required by the Saudi Arabian Labor Law. The movement in provision for end-of-service benefits for the years ended as follows:

	<u>For the year ended</u>	
	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	14,880,062	9,502,912
Current service cost	2,514,485	2,864,262
Interest cost	446,402	278,435
Adjustment for prior year	-	896,068
Amount recognized in profit or loss account	2,960,887	4,038,765
Remeasurement loss		
Demographic assumptions	--	--
Financial assumptions	--	542,262
Experience assumptions	1,106,068	941,657
Actuarial losses recognised in OCI	1,106,068	1,483,919
Benefits paid during the year	(568,462)	(145,534)
Balance at the end of the year	<u>18,378,555</u>	<u>14,880,062</u>

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2021 arising from the end of service benefits to qualifying in-service employees.

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16 EMPLOYEE DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Significant actuarial assumptions

The following were the principal actuarial assumptions:

<i>Key actuarial assumptions</i>	31 December	
	<u>2021</u>	<u>2020</u>
<i>Financial assumptions</i>		
Discount rate used	3.25%	3%
Salary growth rate	3.25%	3%
<i>Demographic assumptions</i>		
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	
	<u>2021</u>	<u>2020</u>
Discount Rate +1%	(1,626,380)	(1,303,574)
Discount Rate -1%	1,887,492	1,517,070
Long Term Salary Increases +1%	1,673,774	1,348,861
Long Term Salary Increases -1%	(1,477,458)	(1,187,578)

17 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	<u>2021</u>	<u>2020</u>
Bonus payable	32,934,246	24,837,456
Commissions payable	20,245,823	14,687,273
Accounts and other payables	22,052,435	13,678,598
VAT payable	9,436,576	7,884,330
Accrued salaries	5,324,862	8,654,971
Current portion of lease liability	2,181,079	934,657
GOSI Payable	751,801	548,968
Provision for office restoration	50,000	50,000
	<u>92,976,822</u>	<u>71,276,253</u>

18 ZAKAT PAYABLE

Movement in zakat payable during the years ended 31 December 2021 and 2020, is as follows:

	31 December	
	<u>2021</u>	<u>2020</u>
At the beginning of the year	14,488,731	8,000,000
Zakat charge for the year (note 18.1 & 18.2)	12,788,017	14,909,336
Paid during the year	(5,931,363)	(8,420,605)
At the end of the year	<u>21,345,385</u>	<u>14,488,731</u>

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18 ZAKAT PAYABLE (CONTINUED)

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	
	<u>2021</u>	<u>2020</u>
Equity	279,345,969	196,035,644
Book value of long-term assets	(35,093,232)	(32,780,987)
Dividends	(40,272,533)	(16,109,013)
	203,980,204	147,145,644
Impact of conversion of Hijri to Gregorian year	6,338,368	4,572,322
	210,318,572	151,717,966
Adjusted net income for the year	382,800,545	126,207,190
Zakat base	593,119,117	277,925,156
Zakat charge for the year @ 2.5%	14,827,978	6,948,129

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 ZATCA has issued the assessment against the years 2010 to 2013 claiming an additional zakat, income tax and withholding tax liability amounting to SR 4.7 million, SR 0.049 million and SR 0.65 million respectively. During 2020 the company has reached an agreement with ZATCA to pay SR 3.04 Million as a final settlement for the ZAKAT that relates to the period 2010-2013

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

19 SHARE CAPITAL

	31 December	
	<u>2021</u>	<u>2020</u>
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 2020: SR 161 million) is divided into 16,109,013 shares (31 December 2020: 16,109,013 shares) of SR 10 each.

20 STATUTORY RESERVE

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

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21 DIVIDENDS

The Board of Directors, through the power vested by the shareholders during the Annual General Assembly, in their meeting held on 28 Muharram 1443H (corresponding 15 September 2021) & 11 Jomada Alawal 1443H (corresponding 15 December 2021) approved the interim cash dividend of 10% and 15% of share capital at SR 2.50 per share for distribution from the retained earnings. Total cash dividend declared and paid during the year amounting to SR 40,272,533 (2020: SR 16,109,013).

22 REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the year ended 31 December 2021			
	<u>Brokerage Fees</u>	<u>Asset Management</u>	<u>Margin Client Receivable</u>	<u>Total</u>
Types of service				
Brokerage services	484,445,582	--	--	484,445,582
Asset management services	--	64,754,822	--	64,754,822
Special commission income	--	--	25,868,351	25,868,351
Total revenue from contracts with customers	<u>484,445,582</u>	<u>64,754,822</u>	<u>25,868,351</u>	<u>575,068,755</u>
Geographical Markets				
Saudi Market	160,519,719	45,844,394	25,868,351	232,232,464
Non-Saudi Market	323,925,863	18,910,428	--	342,836,291
Total revenue from contracts with customers	<u>484,445,582</u>	<u>64,754,822</u>	<u>25,868,351</u>	<u>575,068,755</u>
Timing of revenue recognition				
Services rendered at a point in time	484,445,582	--	--	484,445,582
Services rendered over the time	--	64,754,822	25,868,351	90,623,173
Total revenue from contracts with customers	<u>484,445,582</u>	<u>64,754,822</u>	<u>25,868,351</u>	<u>575,068,755</u>
	For the year ended 31 December 2020			
	<u>Brokerage Fees</u>	<u>Asset Management</u>	<u>Margin Client Receivable</u>	<u>Total</u>
Types of service				
Brokerage services	197,881,174	--	--	197,881,174
Asset management services	--	47,101,221	--	47,101,221
Special commission income	--	--	23,665,468	23,665,468
Total revenue from contracts with customers	<u>197,881,174</u>	<u>47,101,221</u>	<u>23,665,468</u>	<u>268,647,863</u>
Geographical Markets				
Saudi Market	92,592,950	35,706,319	23,665,468	151,964,737
Non-Saudi Market	105,288,224	11,394,902	--	116,683,126
Total revenue from contracts with customers	<u>197,881,174</u>	<u>47,101,221</u>	<u>23,665,468</u>	<u>268,647,863</u>
Timing of revenue recognition				
Services rendered at a point in time	197,881,174	--	--	197,881,174
Services rendered over the time	--	47,101,221	23,665,468	70,766,689
Total revenue from contracts with customers	<u>197,881,174</u>	<u>47,101,221</u>	<u>23,665,468</u>	<u>268,647,863</u>

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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.

The income is recognized upon execution of related deals / transactions and presented in statement of income net of discounts.

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. Performance fees are earned from some arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods, typically over one year. The fees are recognised when they can be reliably estimated and/or crystallised, and there is deemed to be a low probability of a significant reversal in future periods. This is usually at the end of the performance period or upon early redemption by a fund investor. Once crystallised, performance fees typically cannot be clawed-back.

23 GAIN ON INVESTMENTS, NET

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
Unrealized gain on investments at fair value through profit or loss, net	1,335,736	194,653
Realized gain on investments at fair value through profit or loss, net	<u>1,826,765</u>	<u>402,247</u>
	<u>3,162,501</u>	<u>596,900</u>

24 SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
Salaries and employee related expenses	92,301,583	75,342,350
GOSI expense	3,472,310	2,763,798
End of service benefit	<u>2,514,485</u>	<u>4,038,765</u>
	<u>98,288,378</u>	<u>82,144,913</u>

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25 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

		For the year ended 31 December	
	<i>Note</i>	<u>2021</u>	<u>2020</u>
Professional expenses		23,948,622	23,704,214
Commission expenses		51,245,444	29,449,315
IT expenses		14,063,239	5,783,970
Depreciation	6,7	7,646,951	2,910,160
Utilities		5,644,461	3,071,216
Amortization	8	3,138,607	4,123,279
Office expenses		1,905,455	1,728,675
Office maintenance		1,730,312	1,599,411
Finance charges		1,264,436	564,607
Other general and administrative expenses		2,609,426	181,815
		<u>113,196,953</u>	<u>73,116,662</u>

26 IMPAIRMENT CHARGE FOR CREDIT LOSSES

Following is the breakup of impairment charge for ECL as at 31 December:

	31 December	
	<u>2021</u>	<u>2020</u>
Margin client receivables	4,439,858	4,415,377
Other current financial asset	13,912	322
Receivable from related parties	3,040	1,391
Investment at amortized cost (sukuks)	3,317	7,783
	<u>4,460,127</u>	<u>4,424,873</u>

26.1 Movement in impairment charge for ECL during the year is as follows:

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
At the beginning of the year	4,424,873	5,110
Charge for the year, net	35,254	4,419,763
At the end of the year	<u>4,460,127</u>	<u>4,424,873</u>

27 OTHER INCOME

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
Foreign exchange gains, net	5,349,389	4,077,004
Others	1,633,867	849,898
	<u>6,983,256</u>	<u>4,926,902</u>

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28 EARNINGS PER SHARE

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

	31 December	
	<u>2021</u>	<u>2020</u>
Income for the year	365,479,072	104,539,100
Weighted average number of ordinary shares	16,109,013	16,109,013
Basic and diluted, earnings per share	22.69	6.49

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:

	31 December	
	<u>2021</u>	<u>2020</u>
Financial assets at amortised cost		
Investment at amortised cost	22,407,164	22,600,044
Due from related parties	26,947,068	21,459,721
Margin client receivables, net	99,411,642	42,291,123
Other current financial assets	157,044,049	11,232,562
Financial assets at fair value through OCI		
Investment in a public managed fund – REIT	32,976,299	34,132,418
Financial assets at fair value through profit or loss		
Investment in public managed funds	--	50,741,607
Investment in privately managed funds	106,420,745	87,197,264
Investment in discretion portfolio management (DPM)	--	1,321,842
Alinma Bank Tier 1 Sukuk	7,000,000	-
Other current financial assets	146,943,772	21,460,423
Total financial assets	599,150,739	292,437,004
Total current	451,643,556	170,684,689
Total non-current	147,507,183	121,752,315

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

	31 December	
	<u>2021</u>	<u>2020</u>
Financial liabilities at amortised cost		
Lease liability	9,108,363	934,657
Due to related parties	--	1,610,985
Accrued expenses and other payables	90,795,743	61,908,298
Total financial liabilities	99,904,106	64,453,940
Total current liabilities	92,976,822	64,453,940
Total non-current liabilities	6,927,284	--

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30 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2021 and 31 December 2020 which are measured at fair value. There are no financial liabilities measured at fair value.

	31 December			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
At 31 December 2021				
Financial assets measured at fair value				
Investments at FVTPL	113,420,745	--	165,732	113,255,013
Investments at FVOCI	32,976,299	32,976,299	--	--
Other current financial assets	146,943,722	--	--	146,943,722
As at 31 December 2020				
Financial assets measured at fair value				
Investment at FVTPL	139,260,713	--	52,063,449	87,197,264
Investment at FVOCI	34,132,418	34,132,418	--	--
Other current financial assets	21,460,423	--	--	21,460,423

There were no transfers between levels during the year ended 31 December 2021 and 31 December 2020. As at the reporting date, the carrying values of the financial assets including investment at amortized cost, due from related parties and receivable against margin lending and other current financial assets approximate their fair values, since the market commission rates for similar instruments are not significantly different from contracted rates, and due to short duration of financial instruments. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities. Mutual fund investments at FVTPL are classified under Level 2 for public funds and Level 3 for private funds. The valuations for mutual funds are generally derived from the net asset values of the funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy.

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

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 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.

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31 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 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 prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around adjusting macroeconomic factors used by the Company in the estimation of ECL.

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

	31 December	
	<u>2021</u>	<u>2020</u>
Investment in sukuk	29,407,164	22,600,044
Margin client receivables, net	99,411,642	42,291,123
Due from related parties	26,947,068	21,459,721
Other current financial assets	303,987,821	32,692,984
Investment in a public managed fund – REIT	32,976,299	34,132,418
Investment in a public managed fund	--	50,741,607
Investment in privately managed funds	106,420,745	87,197,264
Investment in discretionary portfolio management (DPM)	--	1,321,842
	<u>599,150,739</u>	<u>292,437,003</u>

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31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Analysis of credit quality

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

<u>Issuer</u>	<u>Credit rating</u> (As per international credit rating agency)	<u>31 December</u>	
		<u>2021</u>	<u>2020</u>
SAAB Tier II Sukuk	Unrated	4,999,436	4,998,091
KSA Sukuk 05-10-2019	A 3	5,108,529	5,140,954
KSA Sukuk 05-01-2019	A 3	2,606,889	2,665,235
KSA Sukuk 06-10-2018	A 3	2,585,577	2,626,440
KSA Sukuk 05-07-2018	A 3	2,513,708	2,518,459
KSA Sukuk 04-07-2020	A 3	2,594,039	2,650,999
BSF Tier 1 Capital Sukuk	Unrated	1,999,774	1,999,866
Alinma Tier 1 Capital Sukuk	Unrated	7,000,000	--
		29,407,952	22,600,044

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

	<u>31 December</u>	
	<u>2021</u>	<u>2020</u>
Banks	29,407,952	22,600,044

Amounts arising from ECL

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

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

The Company has recorded expected credit loss on money market placements, investments at amortized cost and other assets amounting to SR 4,460,127 as at 31 December 2021 (31 December 2020 SR 4,424,873)

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

Cash and cash equivalents

Credit risk on cash and cash equivalents is limited as these are held with banks with investment grade ratings.

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31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Other financial assets

Other financial assets include brokerage commission receivable. Credit risk attached to other financial assets is not significant and the Company 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 other than those already recognised in these financial statements against the carrying value of cash and cash equivalents, receivable from margin lending, 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 enough funds are always available from Shareholders and related parties to meet any future commitments, and financing facilities are available.

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

	Carrying amount	On Demand	Within 3 months	3 months to 1 year	Above 1 year	No fixed maturity	Total
31 December 2021							
Financial Assets							
Investment at amortised cost	22,407,164	--	--	--	22,410,481	--	22,410,481
Investments at FVTPL	113,420,745	--	--	--	92,123,721	21,297,024	113,420,745
Investments at FVOCI	32,976,299	--	--	--	32,976,299	--	32,976,299
Due from related parties	26,947,068	--	16,381,448	--	--	10,568,660	26,950,108
Margin client receivables, net	99,411,642	--	103,851,500	--	--	--	103,851,500
Other current financial assets	303,987,821	10,795,109	9,437,756	283,768,868	--	--	304,001,733
Bank balances	94,150,040	94,150,040	--	--	--	--	94,150,040
Total financial assets	693,300,779	104,945,149	129,670,704	283,768,868	147,510,501	31,865,684	697,760,906
Financial Liabilities							
Lease liability	6,927,284	--	--	--	6,927,284	--	6,927,284
Accrued expenses and other payables	92,976,822	--	87,601,960	5,324,862	--	50,000	92,976,822
Total financial liabilities	99,904,106	--	87,601,960	5,324,862	6,927,284	50,000	99,904,106

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31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Carrying amount	On demand	Within 3 months	3 months to 1 year	Above 1 year	No fixed maturity	Total
31 December 2020							
Financial Assets							
Investment at amortised cost	22,600,044	--	--	--	22,607,827	--	22,607,827
Investments at FVTPL	139,260,713	--	52,063,449	75,110,477	12,086,787	--	139,260,713
Investments at FVOCI	34,132,418	--	--	--	34,132,418	--	34,132,418
Due from related parties	21,459,721	--	12,309,100	9,152,012	--	--	21,461,112
Margin client receivables, net	42,291,123	--	26,313,496	20,393,004	--	--	46,706,500
Other current financial assets	32,692,985	5,552,354	6,087,816	--	--	21,053,137	32,693,307
Bank balances	51,300,216	51,300,216	--	--	--	--	51,300,216
Total financial assets	343,737,220	56,852,570	96,773,861	104,655,493	68,827,032	21,053,137	348,162,093
Financial Liabilities							
Lease liability	934,657	--	--	--	934,657	--	934,657
Due to related parties	1,610,985	--	1,610,985	--	--	--	1,610,985
Accrued expenses and other payables	62,842,955	--	59,115,415	3,677,540	--	50,000	62,842,955
Total financial liabilities	65,388,597	--	60,276,400	3,677,540	934,657	50,000	65,388,597

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. The difference of 100 basis points in SIBOR rate will not have a significant impact on the income from commission bearing financial instruments.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Transactions in other foreign currencies are not material.

Equity price risk

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

Sensitivity analysis

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

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31 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	31 December			
	<u>2021</u>		<u>2020</u>	
Effect on profit and loss	SR		SR	
Net gain / loss on investments held at FVTPL	+ 5%	66,787	+ 5%	29,845
	- 5%	66,787	- 5%	29,845

	31 December			
	<u>2021</u>		<u>2020</u>	
Effect on other comprehensive income	SR		SR	
Net gain / loss on investments held at FVOCI	+ 5%	170,190	+ 5%	106,664
	- 5%	170,190	- 5%	106,664

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	
	<u>2021</u>	<u>2021</u>
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	
	<u>2021</u>	<u>2020</u>
REIT Funds	24%	20%
Listed Funds	-	29%
Unlisted Funds	76%	51%

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 SEGMENTAL REPORTING

The Company is organized into the following 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.

Asset Management

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

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32 SEGMENTAL REPORTING (CONTINUED)

Murabaha

Special commission income from Murabaha.

Investment

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

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 2021	Asset					Total
	Brokerage	management	Murabaha	Investment	Other	
Total assets	604,929,020	80,859,590	42,783,751	6,761,978	8,720,018	744,054,357
Total liabilities	113,692,339	15,197,016	8,040,918	1,270,868	1,426,905	139,628,046
Total operating income	484,445,582	64,754,822	34,262,531	5,415,198	-	588,878,133
Other income	-	-	-	-	6,983,256	6,983,256
Operating expenses	(176,907,917)	(23,646,909)	(12,511,855)	(1,977,501)	(2,550,118)	(217,594,300)
Net income before zakat	307,537,665	41,107,913	21,750,676	3,437,697	4,433,138	378,267,089

31 December 2020	Asset					Total
	Brokerage	management	Murabaha	Investment	Other	
Total assets	264,829,823	63,036,861	39,624,750	3,628,865	6,593,809	377,714,108
Total liabilities	71,695,619	17,065,551	10,727,345	982,419	1,785,098	102,256,031
Total operating income	197,881,174	47,101,221	29,607,662	2,711,493	-	277,301,550
Other income	-	-	-	-	4,926,902	4,926,902
Operating expenses	(114,131,302)	(27,166,423)	(17,076,718)	(1,563,899)	(2,841,674)	(162,780,016)
Net income before zakat	83,749,872	19,934,798	12,530,944	1,147,594	2,085,228	119,448,436

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

32.1 Reconciliation of total operating income to revenue from contract with customers:

	31 December	
	2021	2020
Total operating income	588,878,133	277,301,550
Adjustment for:		
- Special commission income other than from customers	(8,394,180)	(5,942,194)
- Net gain on financial assets at fair value through profit or loss	(3,162,501)	(596,900)
- Dividend income	(2,252,697)	(2,114,593)
Revenue from contract with customers	575,068,755	268,647,863

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33 COMMITMENTS AND CONTINGENCIES

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

As at 31 December 2021, Derayah Financial Company does not have any capital commitments.

34 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	
	<u>2021</u>	<u>2020</u>
	SAR(000)	SAR(000)
Capital base:		
Tier 1 Capital	582,989	266,054
Tier 2 Capital	6,722	3,318
Total Capital base	589,711	269,372
Minimum capital requirement:		
Credit risk	413,226	72,357
Market risk	380	8,542
Operational risk	54,399	44,422
Total minimum capital required	468,005	125,321
Capital adequacy ratio:		
Total Capital ratio (times)	1.26	2.15
Surplus in the Capital	121,706	144,051

- 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.

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35 ASSETS UNDER MANAGEMENT

These represent client's cash accounts with the Company as at 31 December 2021 SR 7,599 million (2020: SR 5,554 million) to be used for the purpose of making investment on behalf of the clients.

The Company act in a fiduciary capacity, these balances are not included in the Company's financial statements.

36 SUBSEQUENT EVENT

The new company, as mentioned in note 13, has received license from Saudi Central Bank on 15 February 2022. There were no subsequent events after the statement of financial position date, other than already disclosed, which require adjustments to/or disclosure in the financial statements.

37 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board on 13 Shaban 1443 (corresponding to 16 March 2022).