

Derayah Freestyle Saudi Equity Fund  
Annual Report  
2020

## Open-ended Investment Fund

(Managed by Derayah Financial)



Fund reports are available upon request for free, you can order a copy of the report through our official website [www.derayah.com](http://www.derayah.com)



## Table of Contents

1. Investment Fund Overview
2. Fund Performance
3. Fund Manager
4. Custodian
5. Auditor
6. Financial Statements



# Investment Fund Overview

## 1) Name of Investment Fund

Derayah Freestyle Saudi Equity Fund

## 2) Investment objectives, policies and practices

The Fund is designed to achieve long term capital appreciation by investing mainly in companies listed on the Saudi Stock Exchange ("Tadawul"), the parallel market ("Nomu"), rights issues and initial public offerings in the Kingdom of Saudi Arabia. The Fund may also invest in the financial markets of other countries ("globally"), real estate investment funds (REITS) and IDEX Traded Funds (ETFs). All Fund investments must be in compliance with the Sharia principles approved by the Fund's Sharia committee.

## 3) Income and profit distribution policy

The Fund Manager's policy is to reinvest the income earned from the Fund's investments in the Fund itself. No income or profits will be distributed to the Unitholders.

## 4) Fund Reports

The Fund reports are available upon request and free of charge. Copies of the report may be obtained from Derayah Financial website: [www.Derayah.com](http://www.Derayah.com)

# Fund Performance

## 1) Fund Assets

Year	Fund NAV	Unit Price	Year Highest Unit Price	Year Lowest Unit Price	Number of Units	Expenses %
2016	5,006,918.57	10.5034	10.5534	8.1745	476,695.89	3.24%
2017	10,110,133.17	11.0061	11.2627	10.1434	918,596.45	3.20%
2018	11,778,918.17	12.1501	12.7985	11,0407	969,443,73	3.11%
2019	12,219,984.64	15.1750	15.1750	12.1108	805,270.51	2.74%
2020	23,796,089.03	18,1774	18,32330	11,2307	1,309,101.07	1.83%

## 2) Performance History

### a) Fund Total Return

Period	Fund Return
One year	19.79%
3 years	65.32%
Five years	N/A
Since Inception	81.77%

### b) Total Annual Return since Inception

Year	Fund Return
2016	5.03 %
2017	4.68 %
2018	10.50 %
2019	24.90 %
2020	19.79 %



# Fund Performance

## 1) Fund Assets

c) Service charges and fees paid by the Fund during the year

Fund Net Assets	SR 23,796,089.03
Number of units issued	1,309,101.07 units
Unit price	SR 18.1774
Management fees	SR 222,248.87
VAT from management fee	SR 24,268.85
Auditor fees	SR 30,000
Other administrative expenses	SR 0.00
Custodian fees	SR 10,777.40
Independent Custodian fees	SR 1,083.05
Bank charges	SR 54,534.33
Saudi Stock Market Fee (Tadawul)	SR 5,500.96
Shariah Committee members fees	SR 28,882.28
Benchmark fees	SR 6,189.28
VAT from other expenses	SR 4,306.63
Fund Board Members' fees	SR 40,000
Capital Market Authority Annual fees	SR 7,500
Total expenses / net assets Ratio	1.83%
Dealing expenses / Fund's average net assets	1.75%
Total expenses / Fund average net assets ratio	2.95%

•Management fees and custody fees are calculated as a percentage on each calendar day and are deducted from the Fund at the end of each calendar month.

•Fees and other charges are recognized and charged to the Fund units on each calendar day and are deducted from the Fund at the end of the calendar year.

## 3) Material changes during the period

No material changes affecting the performance of the fund.

## 4) Annual Voting

No voting was carried out during the year.

## 5) Fund Board of Directors Report

The Fund's Board of Directors convened twice in 2020 and discussed the following topics:

- The Fund's performance was discussed with the Fund Manager.
- A meeting was held with the Compliance Officer to review the Fund's compliance with all relevant laws, rules and regulations.

# Fund Manager

## 1) Name and address

Derayah Financial Company  
Riyadh, Olaya Main Street, Olaya Center, 2nd floor  
P.O. Box 286546, Riyadh 11323, Kingdom of Saudi Arabia  
Phone: +966112998000  
[www.Derayah.com](http://www.Derayah.com)

## 2) Investment activities during the period

Although 2020 was challenging for global markets in general, Derayah Freestyle Equity Fund was able to maintain its historical trend with outstanding performance, achieving impressive results for investors represented in achieving a return of 19.79% during the fiscal year 2020, while benchmark returned 11.93%.

The Fund experienced a high volatility during the first half of 2020. However, as a result of robust research and well-thought-out ideas, the Fund Manager remained confident, which paid off in the second half of the year. The Fund management team also quickly identified some companies benefiting from the Covid-19 pandemic among the investment sectors and applied those ideas in a timely fashion, which boosted the outperformance of the Fund.

The investment team at Derayah Financial Company is still confident in its ability to continue achieving the desired results for investors in 2021 as well.

The following is a summary of the market value of the investment portfolio by sector at the end of 2020:

Sector	Market Value (SR)
Banking stocks	1,858,525.28
Basic Materials stocks	7,244,748.51
Real Estate Mgt. & Dev. stocks	454,175.90
Healthcare Stocks	2,700,264.65
Commercial & Professional Services stocks	361,267.50
Capital Goods stocks	503,308.08
Luxury goods stocks	1,152,180.00
Energy stocks	699,649.70
Consumer services stocks	835,860.20
Software & Services	1,367,002.00
Insurance stocks	589,422.96
Egyptian stocks	3,891,726.87
Dubai stocks	1,426,458.13
Kuwaiti stocks	543,370.21

# Fund Manager

## 3) Fund Performance during the period

Fund performance since inception	Benchmark performance since inception
81.77 %	73.18 %
Fund performance during the year	benchmark performance during the year
19.79 %	11.94 %

## 4) Changes to fund terms and conditions

There significant amendments made during the year.

## 5) The fund's investments in other funds

The Fund has no investments in other funds.

## 6) Special commissions

The Fund Manager received no special commissions during the period.



## Custodian

### 1) Name and address

Alinma Investment Company  
King Fahd Road, Olaya District  
PO Box 55560, Riyadh 11544, Kingdom of Saudi Arabia  
Phone: +966 (11) 218 5555  
Fax: +966 (11) 218 5970  
[www.alinmainvestment.com](http://www.alinmainvestment.com)

### 2) Duties and Responsibilities

The Custodian is responsible for holding the Fund's assets and providing administrative services related to keeping records, issuing the balance sheet, evaluating the net asset value, and issuing the net asset value of the Fund unit.

### 3) Custodian's Statement

As the Custodian of Derayah Freestyle Saudi Equity Fund, Alinma Investment Company believes that the Fund units were issued, transferred and redeemed in accordance with the provisions of the Investment Funds Regulations, the Fund's Terms and Conditions and Information Memorandum. Also, the unit price was evaluated and calculated in accordance with the provisions of the Investment Funds Regulations, the Fund's Terms and Conditions and Information Memorandum. No violations of the investment restrictions were reorted.

## Auditor

### 1) Name and address

Alluhaid and Al Yahya Chartered Accountants (ACA)  
Al-Taawon District - Abu Bakr Al-Siddiq Road  
P.O. Box 6888, Riyadh 12475, Kingdom of Saudi Arabia  
Phone: +96611269 4419  
[www.aca.com.sa](http://www.aca.com.sa)

### 2) Auditor's Statement

The Auditor's statement is attached to the annual report of the Fund's financial statements as of 31December 2020.

## Financial Statements

The Financial Statements of Derayah Freestyle Saudi Equity Fund for the relevant annual accounting period have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The Fund's financial statements as of 31December 2020 are attached to this annual report.





Address:

Floor 2, Al Olaya Center, Al Olaya Al Aam Road  
P.B: 286546, Riyadh 11323, Kingdom of Saudi Arabia

Telephone: +966112998000

Fax: +966114196498

Website: [www.derayah.com](http://www.derayah.com)

**DERAYAH FREESTYLE SAUDI EQUITY FUND**  
**(Managed by Derayah Financial Company)**

**FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER 2020**



Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

FINANCIAL STATEMENTS

31 December 2020

INDEX	PAGE
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of cash flows	6
Statement of changes in net assets	7
Notes to the financial statements	8 – 16

**INDEPENDENT AUDITOR'S REPORT**  
**To the Unitholders of Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

**Report on the Audit of the Financial Statements**

**Our Opinion**

We have audited the accompanying financial statements of Derayah Freestyle Saudi Equity (the "Fund") being managed by Derayah Financial Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, cash flows and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The Fund Manager is responsible for the other information. The other information comprises information included in the Fund's 2020 Annual Report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements**

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Derayah Freestyle Saudi Equity Fund (continued)  
(Managed by Derayah Financial Company)

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



الوحيد واليحيى  
محاسبون قانونيون  
ALLUHAID & ALYAHYA  
CHARTERED ACCOUNTANTS

Alluhaid & Alyahya Chartered Accountants  
License No. ( 735 ) CR:1010468314  
Paid up capital SR 100,000  
A Limited Liability Company  
Kingdom of Saudi Arabia Riyadh King Fahd Road ,  
Muhammadiyah District , Garnd Tower 12th Floor


**INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Derayah Freestyle Saudi Equity Fund (continued)  
(Managed by Derayah Financial Company)

**Report on Other Legal and Regulatory Requirements**

Based on the information that has been made available to us, we have noted that the Fund Manager didn't file an updated version of the Fund's terms and conditions to reflect the changes made in custody fees as per the requirements of the Investment Funds Regulations issued by the Capital Market Authority. This matter has no material impact on the financial statements.

For Alluhaid & Alyahya Chartered Accountants

  
Saleh A. Al-Yahya  
Certified Public Accountant  
License No. 473

Riyadh: 27 Jumada Al Akhir 1442 H  
(9 February 2021)





Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	<b>2020 SR</b>	<b>2019 SR</b>
<b>ASSETS</b>			
Cash and cash equivalents		<b>142,974</b>	473,726
Dividend receivable		<b>25,155</b>	-
Advances to the Fund Manager	5	<b>134,239</b>	-
Financial assets at fair value through profit or loss	4	<b>23,627,960</b>	11,884,864
<b>TOTAL ASSETS</b>		<b>23,930,328</b>	12,358,590
<b>LIABILITIES</b>			
Accrued expenses		<b>134,239</b>	138,605
<b>NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS</b>		<b>23,796,089</b>	12,219,985
Units in issue		<b>1,309,101</b>	805,271
Per unit value		<b>18.18</b>	15.17

The notes on pages 8 to 16 are an integral part of these financial statements.

**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
<b>INCOME</b>			
Net gains on financial assets at fair value through profit or loss:			
Change in unrealised gains		<b>2,016,261</b>	800,858
Realised gains		<b>1,698,870</b>	1,758,973
		<b>3,715,131</b>	2,559,831
Dividend income		<b>389,224</b>	440,706
Foreign currency exchange losses		<b>(45,437)</b>	(26,894)
Other (loss) income		<b>(9,280)</b>	6,078
<b>TOTAL NET INCOME</b>		<b>4,049,638</b>	2,979,721
<b>EXPENSES</b>			
Management fee	5	<b>(246,517)</b>	(204,334)
Bank charges		<b>(54,534)</b>	(3,058)
Directors' fees	5	<b>(40,000)</b>	(40,000)
Custody fees		<b>(11,962)</b>	(10,984)
Other operating expenses		<b>(82,277)</b>	(79,372)
<b>TOTAL OPERATING EXPENSES</b>		<b>(435,290)</b>	(337,748)
<b>NET INCOME FOR THE YEAR</b>		<b>3,614,348</b>	2,641,973
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,614,348</b>	2,641,973

The notes on pages 8 to 16 are an integral part of these financial statements.

**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	2020 SR	2019 SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	3,614,348	2,641,973
Adjustments for:		
Unrealised gains on financial assets at fair value through profit or loss	(2,016,261)	(800,858)
Dividend income	(389,224)	(440,706)
	<u>1,208,863</u>	<u>1,400,409</u>
Changes in operating assets and liabilities:		
Increase in advances to the Fund Manager	(134,239)	-
(Increase) decrease in financial assets at fair value through profit or loss	(9,726,835)	49,444
(Decrease) increase in accrued expenses	(4,366)	122,698
	<u>(8,656,577)</u>	<u>1,572,551</u>
Cash (used in) from operations		
Dividend received	364,069	440,706
	<u>(8,292,508)</u>	<u>2,013,257</u>
Net cash flows (used in) from operating activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	13,173,285	7,612,506
Payments against redemption of units	(5,211,529)	(9,813,413)
	<u>7,961,756</u>	<u>(2,200,907)</u>
Net cash flows from (used in) financing activities		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(330,752)</u>	<u>(187,650)</u>
Cash and cash equivalents at the beginning of the year	473,726	661,376
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>142,974</u></u>	<u><u>473,726</u></u>

The notes on pages 8 to 16 are an integral part of these financial statements.



**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended 31 December 2020

	2020 SR	2019 SR
<b>NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS AT THE BEGINNING OF THE YEAR</b>	<b>12,219,985</b>	<b>11,778,919</b>
Total comprehensive income for the year	<b>3,614,348</b>	<b>2,641,973</b>
<b>CHANGE FROM UNIT TRANSACTIONS</b>		
Proceeds from issuance of units	<b>13,173,285</b>	<b>7,612,506</b>
Redemption of units	<b>(5,211,529)</b>	<b>(9,813,413)</b>
Net increase (decrease) from unit transactions	<b>7,961,756</b>	<b>(2,200,907)</b>
<b>NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS AT THE END OF THE YEAR</b>	<b>23,796,089</b>	<b>12,219,985</b>

**UNITS TRANSACTIONS**

Transactions in units for the years ended 31 December are summarised as follows:

	2020 Units	2019 Units
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>805,271</b>	<b>969,444</b>
Units issued during the year	<b>821,681</b>	<b>537,793</b>
Units redeemed during the year	<b>(317,851)</b>	<b>(701,966)</b>
<b>UNITS AT THE END OF THE YEAR</b>	<b>1,309,101</b>	<b>805,271</b>

The notes on pages 8 to 16 are an integral part of these financial statements.

# Derayah Freestyle Saudi Equity Fund (Managed by Derayah Financial Company)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 1 GENERAL

Derayah Freestyle Saudi Equity Fund (the "Fund") is an open-ended fund. The Fund aims to develop capital over the long-term by investing mainly in companies listed on the Saudi Stock Exchange ("Tadawul"), in the parallel market ("Nomu"), and tradeable rights and initial offerings in Saudi Arabia. The Fund can also invest in the financial markets of other countries (globally). All investments of the Fund shall be in accordance with Sharia standards approved by the Sharia Committee of the Fund. The Fund Manager will also invest in real estate traded funds and Exchange-Traded Funds ("ETFs"). The Fund will not distribute dividends to its unitholders, however all profits will be reinvested by the Fund.

The Fund is managed by Derayah Financial Company (the "Fund Manager"), a closed joint stock company licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 08109-27. Alinma Investment (the "Custodian") is appointed as the custodian of the Fund.

The registered office address of the Fund Manager is P.O. Box 286546, Riyadh 11323, Kingdom of Saudi Arabia.

The Fund commenced its operations on 29 March 2016.

The last valuation of the year was 31 December 2020 (2019: 31 December 2019).

These financial statements were authorised for issue by the Board of Directors on 27 Jumada Al Akhir 1442H 1442H (corresponding to 9 February 2021).

### 2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Thu Al-Hijjah 1427H (corresponding to 24 December 2006), subsequently amended by the issuance of a new Investment Funds Regulation dated 16 Sha'ban 1437H (corresponding to 23 May 2016) by the CMA detailing requirements for all investment funds within the Kingdom of Saudi Arabia.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), collectively hereafter referred to as "IFRS". The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. There were no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

#### a) *Standards and amendments to existing standards effective 1 January 2020*

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 BASIS OF PREPARATION (continued)**

- b) *New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted*

The following standards, amendments to standards and interpretations are not yet effective and neither are they expected to have a significant impact on the Fund's financial statements:

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>	1 January 2021
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual Improvements to IFRS Standards 2018–2020</i>	1 January 2022
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023
<i>IFRS 17 Insurance Contracts</i>	1 January 2023

In the opinion of the Fund Manager, these standards, amendments to standards and interpretations will clearly not impact the Fund as the Fund has no application to the above-mentioned standards.

**3.2 FOREIGN CURRENCY TRANSLATION**

- a) *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Fund's functional and presentation currency. All financial information presented has been rounded to the nearest SR.

- b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

**3.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

- a) *Classification*

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

As such, the Fund classifies its investment portfolio as financial assets as fair value through profit or loss.

The Fund's policy requires the Fund Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.



Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

*a) Recognition, derecognition and measurement*

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains or losses on financial assets at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

*b) Fair value estimation*

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 of financial assets traded in active markets (such as publicly traded securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

**3.4 OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**3.5 CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

**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 REDEEMABLE UNITS**

Units subscribed and redeemed are recorded at the net asset value per unit on the valuation day for which the subscription request and redemption applications are received.

**3.8 NET ASSETS VALUE**

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets value of the Fund by the number of units in issue at the year end.

**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2020

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 MANAGEMENT FEES, CUSTODY FEES AND OTHER EXPENSES**

Management fees, custody fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

**3.10 DIVIDEND INCOME**

Dividend income is recognised when the right to receive payment is established.

**3.11 ZAKAT AND INCOME TAX**

Zakat and income tax are the obligation of the unitholders and are not provided for in these financial statements.

**3.12 SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker.

The Fund Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. Asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

Geographical and sectorial concentration of investment portfolio of the Fund is disclosed in Note 4.

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The geographical exposure of financial assets at fair value through profit or loss on the last valuation day is summarised below:

<b>31 December 2020</b>		
	<b>Market Value</b>	<b>% of Market</b>
<u>Equity investments (by country)</u>	<b>SR</b>	<b>Value</b>
Kingdom of Saudi Arabia	17,766,405	75
Egypt	3,891,727	17
United Arab Emirates	1,426,458	6
Kuwait	543,370	2
	<b>23,627,960</b>	<b>100</b>
<b>31 December 2019</b>		
	<b>Market Value</b>	<b>% of Market</b>
<u>Equity investments (by country)</u>	<b>SR</b>	<b>Value</b>
Kingdom of Saudi Arabia	8,521,055	72
Kuwait	1,655,822	14
Egypt	1,122,760	9
United Arab Emirates	585,227	5
	<b>11,884,864</b>	<b>100</b>

**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2020

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

The sectorial exposure of financial assets at fair value through profit or loss on the last valuation day is summarised below:

	31 December 2020	
	Market Value SR	% of Market Value
<i>Equity investments (by sector)</i>		
Materials	7,788,119	33
Health Care Equipment and Services	3,441,342	15
Real Estate Management and Development	2,545,853	11
Banks	1,858,525	8
Retailing	1,563,232	7
Software and Services	1,367,002	6
Food and Beverages	835,858	4
Energy	699,650	3
Consumer Durables and Apparel	601,584	3
Pharmaceuticals	598,588	3
Insurance	589,423	2
Capital Goods	503,308	2
Real Estate Investment Traded Funds	454,176	1
Consumer Services	423,034	1
Commercial and Professional Services	358,266	1
	<b>23,627,960</b>	<b>100</b>

	31 December 2019	
	Market Value SR	% of Market Value
<i>Equity investments (by sector)</i>		
Materials	2,197,358	18
Banks	1,492,549	13
Energy	1,365,260	11
Retailing	906,613	8
Commercial and Professional Services	846,363	7
Consumer Services	833,669	7
Real Estate Management and Development	773,885	7
Insurance	745,985	6
Telecommunication Services	638,106	5
Capital Goods	609,932	5
Health Care Equipment and Services	371,800	3
Consumer Durables and Apparel	310,273	3
Food and Beverages	290,154	3
Pharmaceuticals	253,611	2
Software and Services	249,306	2
	<b>11,884,864</b>	<b>100</b>

**5 RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. Related party transactions are governed by limits set by the Regulations issued by the CMA. All the related party transactions are approved by the Board of Directors.



**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2020

**5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

*a) Management fee*

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager charges management fee at the rate of 1.5% that is calculated on a daily basis based on the net value of the Fund's assets. Total management fee for the year ended 31 December 2020 amounted to SR 246,517 (2019: SR 204,334) with SR Nil (31 December 2019: SR 15,609) in outstanding accrued expenses due to the Fund Manager at the end of the year.

In addition, the Fund Manager charges subscription fee for one time at a maximum rate of 3% of the subscription value from the Fund's unitholders, however such fee is not considered in the financial statement of the Fund, as investment to the Fund are always net of subscription fees.

As at 31 December 2020 and 2019, the Fund Manager held no units.

As at 31 December 2020, close family members of board members of the Fund Manager held 27,817 units (2019: 27,817 units).

*b) Board of Directors remuneration*

The total remuneration paid to the directors in 2020 was SR 40,000 (2019: SR 40,000) and consisted of only fixed directors' fees.

*c) Advances to the Fund Manager*

As at 31 December 2020, the Fund has advances to the Fund Manager amounting to SR 134,239 (2019: nil) which will be used to settle the Fund's liabilities.

**6 FINANCIAL RISK MANAGEMENT**

**6.1 FINANCIAL RISK FACTORS**

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value commission rate risk and price risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the Custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the Custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year. The Fund Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies and the terms and conditions. Furthermore, the Fund Manager makes every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Board of the Fund plays a role in ensuring that the Fund Manager fulfils its responsibilities to the benefit of the unitholders in accordance with the provisions of the Investment Funds Regulations and the terms and conditions.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**6 FINANCIAL RISK MANAGEMENT (continued)**

**6.1 FINANCIAL RISK FACTORS (continued)**

**6.1.1 Market risks**

*a) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial assets, other than financial assets at fair value through profit or loss, and financial liabilities are denominated in Saudi Riyal and therefore the Fund is not exposed to any currency risks on these financial instruments. The Fund's investment portfolio is composed of investments in foreign equity and therefore is exposed to currency risk on those investments. Currency risk is managed through continuous monitoring of exposures.

*Sensitivity analysis*

The effect on the statement of comprehensive income (as a result of change in the exchange rates with respect to foreign currency exposure) due to 1% change in the foreign exchange rates, with all other variables held constant is SR 58,616 (2019: SR 33,638).

*b) Cash flow and fair value commission rate risk*

Commission rate risk arises from the effects of fluctuations in the prevailing levels of markets commission rates on the fair value of financial assets and liabilities and future cash flow. The Fund is not subject to commission rate risk, as it does not have any commission-bearing financial instruments.

*c) Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed at stock exchange markets. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

Geographical and sectorial concentration of the investment portfolio of the Fund is disclosed in Note 4.

*Sensitivity analysis*

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

	31 December 2020		31 December 2019	
Net gains (losses) on financial assets at fair value	+5%	1,181,398	+5%	594,243
through profit or loss	-5%	(1,181,398)	-5%	(594,243)

**6.1.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in realising funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for subscriptions and redemptions of units throughout the week and the Fund is therefore, exposed to the liquidity risk of not meeting unitholder redemptions. The Fund's securities are considered to be readily realisable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

Derayah Freestyle Saudi Equity Fund  
(Managed by Derayah Financial Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**6 FINANCIAL RISK MANAGEMENT (continued)**

**6.1 FINANCIAL RISK FACTORS (continued)**

**6.1.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The fund is exposed to credit risk on its cash and cash equivalents, which is placed with a bank with sound credit rating.

**6.2 CAPITAL RISK MANAGEMENT**

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is not to distribute dividends to the redeemable unitholders, as the Fund is considered a capital growth fund where all profits are reinvested in the Fund. The reinvestment of these distributions and income is reflected in the unit price.

The Board of Directors and the Fund Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

**6.3 FAIR VALUE ESTIMATION**

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. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Fund uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The value of financial assets at fair value through profit or loss are based on quoted market prices in active markets and are therefore classified within Level 1 of the fair value hierarchy as at 31 December 2020 and 31 December 2019.



**Derayah Freestyle Saudi Equity Fund**  
**(Managed by Derayah Financial Company)**

---

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
31 December 2020

**7 FINANCIAL INSTRUMENTS BY CATEGORY**

Financial assets consist of cash and cash equivalents and financial assets at fair value through profit or loss. Financial liabilities consist of accrued expenses. All financial assets and financial liabilities as at 31 December 2020 and 31 December 2019 were classified under amortised cost category except for financial assets at fair value through profit or loss which are classified as and measured at fair value.

**8 IMPACT OF COVID-19**

During this period, the Coronavirus disease ("COVID-19") outbreak was declared a global pandemic by the World Health Organization. This outbreak has interfered with general activity levels within the community, the economy and businesses. This may result in a reduction in profitability of the Fund. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.