

صندوق دارية الخليجي لأسهم النمو والدخل
التقرير الأولي النصف الأول 2021
هذا التقرير يضم معلومات مدير الصندوق والتقارير المالية



1	إسم وعنوان مدير الصندوق:	2	أداء صندوق الاستثمار خلال الفترة:
3	إسم وعنوان مدير الصندوق من الباطن أو مستشار الاستثمار:	4	بيان حول العمولات الخاصة التي تحصل عليها مدير الصندوق:
5	تفاصيل عن أي تغييرات حدثت على شروط و أحكام الصندوق ومذكرة المعلومات خلال الفترة :	6	الرسوم الإدارية للصندوق المستثمر فيه (في حال كان الصندوق يستثمر بشكل كبير في صناديق أخرى):
7	أي معلومات أخرى من شأنها تمكين حاملي الوحدات بالحكم على أداء الصندوق خلال الفترة:	8	بيانات ومعلومات أوجبت اللائحة ذكرها:
9	مراجعة لأنشطة الصندوق الاستثمارية خلال الفترة:		
10	التقارير المالية:		

الإسم : شركة دارية المالية
شركة مساهمة مغلقة تعمل بموجب ترخيص من هيئة السوق المالية رقم (: 08109-27). بتاريخ 2008/06/23م وسجل تجاري 1010266977.
العنوان: الرياض , شارع العليا العام, مركز العليا, الدور الثاني.
ص.ب 286546 الرياض 11323, المملكة العربية السعودية
الموقع الإلكتروني: <http://www.derayah.com>
الرقم المجاني: 920024433 من خارج المملكة: 966112998000
فاكس: 966114192618

أداء الصندوق	العائد على الصندوق %	أداء المؤشر %
خلال شهر	0.86%	0.89%
خلال 3 أشهر	-	-
خلال 6 أشهر	-	-
خلال 9 أشهر	-	-
خلال سنة	-	-
منذ بداية العام	3.60%	6.11%
بداية الصندوق	3.60%	6.11%

لم يتلقى مدير الصندوق أي عمولات خاصة خلال الفترة.

لا توجد أي تغييرات طرأت على شروط و أحكام الصندوق ومذكرة المعلومات خلال الفترة

لا ينطبق

لا يوجد

لا يوجد

بدأ سوق الأسهم السعودية في عام 2021 بشكل قوي وانتهى به المطاف كأفضل الأسواق أداءً في المنطقة في النصف الأول من عام 2021 ، متفوقاً بشكل كبير على المؤشر الأوسع MSCI للأسواق الناشئة . وقد تعززت ثقة المستثمرين من خلال تحسن الوضع الاقتصادي الكلي الذي يشمل على سبيل المثال لا الحصر تحسن الحيز المالي للحكومة كما يتضح من عجز ميزانية النصف الأول بالإضافة إلى الارتفاع المستمر في أسعار النفط. لامست السلعة أعلى سعر في نهاية يونيو 21 بينما كانت المعنويات العامة إيجابية منذ بداية العام حيث كان السوق يتوقع انتعاشاً قوياً في الطلب على خلفية انفتاح الاقتصادات المتقدمة وإطلاق اللقاح الناجح في العديد من الدول.
بالنسبة لسوق الأوراق المالية ، انعكست ديناميكيات التحسن في سوق النفط على تقييمات الشركات. كانت هوامش ربح البتروكيماويات قوية نظراً لتوقعات الطلب وتحسن أسعار النفط ، ومع ذلك ، أدت العديد من حالات الانقطاع العالمية والاضطرابات اللوجستية إلى زيادة إضافية في هوامش البتروكيماويات خلال الجزء الأخير من النصف الأول من عام 2021. خلال الربع الأول من عام 2021. تمكن القطاع المالي وقطاع المواد معاً من دعم المؤشر الأوسع نطاقاً ليقربه من مستوى 11,000 بحلول نهاية النصف الأول من عام 2021.

مرفق مع هذا التقرير الأولي النصف سنوي القوائم المالية للصندوق كما في نهاية 2021\06\30
ويمكن أيضاً الإطلاع على القوائم المالية من خلال موقع دارية المالية على الرابط التالي : <http://www.derayah.com>

دارة المالية
طريق العليا العام، حي الورد، الدور الثاني، صندوق بريد 286546، الرياض 11323، المملكة العربية السعودية

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
Open-Ended Investment Fund
(Managed by Derayah Financial Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
The Period From 4 April 2021 (business start date) to 30 June 2021
Together with the
Independent Auditor's Report to the Unitholders

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
Open-Ended Fund
(Managed by Derayah Financial Company)

Interim condensed financial statements (unaudited)

The Period From 4 April 2021 (business start date) to 30 June 2021

Together with the Independent Auditor's Report to the Unitholders

	PAGES
INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7- 18

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS
DERAYAH GCC GROWTH AND INCOME EQUITY FUND
MANAGED BY DERAYAH FINANCIAL COMPANY****Riyadh, Kingdom of Saudi Arabia****INTRODUCTION**



We have reviewed the accompanying interim statement of financial position of Derayah GCC Growth and Income Equity Fund (the "Fund"), Derayah Financial (the "Fund Manager") as at 30 June 2021 and the related interim statement of comprehensive income, interim statement of changes in net assets (Equity) attributable to unitholders and interim statement of cash flow for the period from 4 April 2021 (commenced date) to 30 June 2021, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.**Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337****11 Muharram 1443H
19 August 2021G
Riyadh, Kingdom of Saudi Arabia**

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in Saudi Arabian Riyals)

	Note	30 June 2021 (Unaudited)
ASSETS		
Cash Balance	6	5,180,502
Investment carried at amortized cost		1,000,000
Investments carried at fair value through profit or loss (FVPL)	7	19,384,031
Cash dividend receivable		4,840
Total assets		25,569,373
LIABILITIES		
Management fees payable	10	42,633
Accrued expenses		51,597
Total liabilities		94,230
Net assets (equity) attributable to the Unit holders		25,475,143
Units in issue (number)	8	2,458,882
Net assets (equity) value per unit		10.36

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabian Riyals)

	Note	30 June 2021 (Unaudited)
Investment Income		
Special commission income		127,950
Realized gains from investments carried at FVPL	9	398,778
Unrealized gains from investments carried at FVPL	9	549,735
		<u>1,076,463</u>
Expenses		
Management fees	10	(119,023)
Other expenses		(53,966)
		<u>(172,989)</u>
Net income for the period		<u>903,474</u>
Other Comprehensive income for the period		-
Total Comprehensive income for the period		<u>903,474</u>

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabian Riyals)

	<u>30 June 2021</u>
	(Unaudited)
Net assets (equity) attributable to the Unit holders at the beginning of the period	-
Total comprehensive income for the period	903,474
Dividend	(75,563)
Contributions and redemptions by the unitholders	
Issuance of units	27,799,213
Redemption of units	(3,151,981)
Net changes from unit transactions	24,647,232
Net assets (equity) attributable to the Unit holders at the end of the period	25,475,143

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabian Riyals)

	Note	30 June 2021 (Unaudited)
Cash flows from operating activities:		
Net income for the period		903,474
Net changes in operating assets and liabilities:		
Cash dividend payable		(4,840)
Investments carried at FVPL		(19,384,031)
Investments carried at amortized cost		(1,000,000)
Management fees receivable		42,633
Accrued expenses		51,597
Net cash used in operating activities		(19,391,167)
Cash flows from financing activities:		
Proceeds from issuance of units		27,799,213
Redemptions of the units, net off payable*		(3,151,981)
dividend		(75,563)
Net cash from financing activities		24,571,669
Net increase in cash and cash equivalents		5,180,502
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	6	5,180,502

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

1 FUND AND ITS ACTIVITIES

Derayah Gulf Growth and Income Equity Fund (the “Fund”) is an open-ended, Shariah-compliant public investment fund managed under an agreement between Derayah Financial (the “Fund Manager”) and the fund’s investors (“Unit Holders”). The fund aims to provide long-term capital growth and distribute cash dividends periodically by investing primarily in the securities of companies listed in the Saudi stock market and in shares of companies listed in the Gulf financial markets, and this includes primary and secondary offerings, priority rights and units of real estate traded funds and units of stock index funds, traded sukuk and shares of companies listed in the parallel market. The fund also aims to invest in fixed income instruments such as sukuk and money market instruments locally, in the Gulf and internationally. The fund aims to distribute cash dividends to its unit holders on a semi-annual basis.

In dealing with the Unitholders, the Fund Management considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate interim condensed financial statements for the Fund. Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter number (S/3/5/1574/21) dated Rajab 2, 1442 H (corresponding to 14 February 2021).

The fund's financial statements for the period from April 4, 2021 to June 30, 2021 are considered the fund's first financial statements. Therefore, comparative figures have not been presented.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) which was amended on 12 Rajab 1442 (corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia. by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

3.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention, using accrual basis of accounting except for the investments carried at fair value through profit or loss at fair value.

3.3 Functional and Presentation Currency

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR) which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at date of the statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the statement of comprehensive income.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

3 BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Going Concern

The Fund Manager of the Fund has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

Expected credit loss

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, interpretations and amendments

There are new standards, interpretations and amendments that apply for the first time in 2021, but they have no impact on the Fund's interim condensed financial statements.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

4.2 Financial instruments

4.2.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial

recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, as described in Note 3.4, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

4.2.2 Classification and measurement of financial assets

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual profit in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade.

When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial instruments (Continued)

4.2.2 Classification and measurement of financial assets (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as Murabaha contracts and Sukuks.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 3.4. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective commission rate method.

Fair value through profit or loss (FVPL): If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVPL, then it is measured at FVPL. A gain or loss on a debt investment measured at FVPL is recognized in the statement of comprehensive income, within "Net gain / (loss) in investments mandatorily measured at FVPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within "Net gain / (loss) in investments designated at FVPL". Commission income earned from these financial assets is recognized in the statement of comprehensive using the effective commission rate method.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPI" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial instruments (Continued)

4.2.3 Impairment of financial assets

The Fund assesses on a forward-looking basis the Expected Credit Losses (“ECL”) associated with its financial assets, carried at amortized cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result 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 will be based on the lifetime ECL.

4.2.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund 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 the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset. In that case, the Fund also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund recognized a financial liability when the obligation under the liability is discharged, cancelled or expired.

4.2.5 Financial liabilities

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVPL. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

4.3 Trade date accounting

A regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the fund commits to purchase or sell the assets). Regular way purchases or sales are purchase or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

4.4 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 Fund 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 asset and settle the liability simultaneously.

4.5 Accrued expenses

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

4.6 Provision

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Redeemable units

The Fund is open for subscriptions/ redemptions of units from Sunday to Thursday. The net assets value of the Fund is determined from Sunday to Thursday (each a “Dealing Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the value of net assets (fair value of Fund assets *minus* Fund liabilities) by the total number of outstanding units on the relevant Valuation Day.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

4.8 Zakat / Taxation

Taxation/zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these interim condensed financial statements.

4.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

4.10 Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss (“FVPL”)

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

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior period's unrealized gains and losses for financial instruments which were realised in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial

carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments)

4.11 Dividend income

Dividend income, if any is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVPL, is recognized in the statement of comprehensive income in a separate line item.

4.12 Management fees

Management fee is calculated at rate mentioned in terms and conditions of the Fund and is payable annual at the end of each month (on an annual basis).

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Other expenses

Other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Equity Fund.

4.14 Net asset value per unit

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the fund by the number of units outstanding at year end.

5 MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

The fund manager charges the fund a management fee of 1.8% of the fund's net asset value, which is calculated on a daily basis and deducted at the end of each calendar month. The fund manager shall recover from the fund any expenses incurred on behalf of the fund such as audit fees, legal fees, board of directors' fees and other similar charges.

6 CASH AND CASH EQUIVALENTS

	Notes	30 June 2021
		(unaudited)
Cash in bank	6.1	5,180,502
		5,180,502

6.1 Cash in bank are maintained in a current account with a local bank. The Fund does not earn profits from these current accounts.

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

7 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	
	(unaudited)	
	COST	Market value
Banks	2,352,447	2,565,621
Materials	4,050,856	4,074,421
Real Estate Mgmt & Dev't	1,180,711	1,267,256
Health Care Equipment & Svc	758,158	789,822
Food & Staples Retailing	681,319	668,112
Transportation	760,442	773,600
Telecommunication Services	724,145	761,964
Retailing	1,957,833	2,114,327
Energy	2,435,290	2,466,752
Consumer Services	1,246,961	1,252,319
Shares in the UAE market	2,683,436	2,649,836
	18,831,598	19,384,030

8 UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	30 June 2021
	(unaudited)
Units at the beginning of the period	-
Units issued	2,768,949
Units redeemed	(310,067)
Net change in units	2,458,882
Units at the end of the period	2,458,882

9 NET GAINS FROM INVESTMENTS CARRIED AT FVPL

	30 June 2021
	(unaudited)
Realized gains from sale of investments carried at FVPL	398,778
Unrealized gains from revaluation of investments carried at FVPL	549,735
	948,513

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

10 TRANSACTIONS AND BALANCE WITH RELATED PARTY

Related parties of the Fund include “Derayah Financial Company” being the Fund Manager, Albilad Financial being the custodian.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties’ transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund’s Board of Directors.

Details of transactions and balances with related parties other than those disclosed elsewhere in the interim condensed financial statements are as follows:

Related Party	Nature of transactions	Amount of transaction during the period	Closing balance Debit/(Credit)
		30 June 2021	30 June 2021
		(unaudited)	(unaudited)
Derayah Financial	Management fees	119,023	(42,632)
Albilad Financial	Custody fees	1,462	(1,462)

11 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021	Amortized cost	FVPL
Assets as per statement of financial position		
Cash balance	5,180,502	-
Investments carried at amortized cost	1,000,000	-
Investments carried at fair value through profit or loss (FVPL)	-	19,384,031
Cash dividend receivable	4,840	-
Total	6,185,342	19,384,031

All financial liabilities as at 30 June 2021 were classified as financial liabilities measured at amortized cost.

12 FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

The objective of the Funds is to safeguard the Fund’s ability to continue as a going concern so that it can continue to provide optimum returns to its Unit Holders and to ensure reasonable safety to the Unit Holders.

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (Continued)

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

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

(a) Market risk

(i) 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 financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, Fund has equity investments.

(b) 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 is exposed to credit risk for its cash and cash equivalent and receivables. Bank balances are deposited in Riyadh Bank which is Bank with good financial rating.

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

	30 June 2021 (unaudited)
Cash balance	5,180,502
Investments carried at amortized cost	1,000,000
Cash dividend receivable	4,840

Amounts arising from ECL

Impairment on financial assets on Cash and cash equivalent, Investments carried at amortized cost and accrued income has been measured on a 12-month expected loss basis. The Fund 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 Fund. Loss Given Default (LGD) 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 profit rate.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on Sunday to Thursday, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

(e) Special commission rate risk

Special commission rate risk is the risk that the financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk or future risks on its special commission bearing assets including its investments carried at amortized cost.

12.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- 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;
- Level 3 inputs are unobservable inputs for the asset or liability.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

**DERAYAH GCC GROWTH AND INCOME EQUITY FUND
OPEN-ENDED INVESTMENT FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Period From 4 April 2021 (business start date) to 30 June 2021

(Amounts in Saudi Arabia Riyals)

13 LAST VALUATION DAY

The last valuation day of the period was 30 June 2021

14 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund Manager on 18 August 2021 (corresponding to 10 Muharram 1443 H)