

MANAZEL AL MAMLAKA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

MANAZEL AL MAMLAKA

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CONTENTS	Page(s)
Independent auditor's report	1-2
Financial statements	
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7-23

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MANAZEL AL MAMLAKA

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Manazel Al Mamlaka (the "Fund") which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of 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 Fund as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 11 of the financial statements which notes that as at 31 December 2020, the Fund measured its Wakala investment at fair value through profit or loss amounting to SAR 47,559,876, based on the market comparable and income approach, which management believes represents the best estimate of the fair value. The actual realisable value may be materially different. Our opinion is not modified in respect of this matter.

We draw attention to Note 9 the accompanying financial statements include extensive related party transactions which involve transactions, which may not necessarily be indicative of the fair value of equivalent transactions and balances had third parties been contracted with, or had an active market existed. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Fund for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 2 December 2020.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 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.

Moore Stephens Cayman Ltd

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE SHAREHOLDERS OF MANAZEL AL MAMLAKA

Report on the Audit of the financial statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISA, we exercise professional judgment 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 Fund'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 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.

Use of Our Report

This report, including the opinion, has been prepared for and only for the Fund's shareholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come.



Moore Stephens Cayman Ltd

30 May 2022

MANAZEL AL MAMLAKA**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020***(Expressed in Saudi Riyal unless otherwise stated)*

	Note	31 December 2020	31 December 2019 (restated)	1 January 2019 (restated)
ASSETS				
Wakala investment at fair value through profit or loss	4	47,559,876	91,545,550	99,269,573
Due from related parties	9	29,569,661	28,449,361	28,379,435
Cash and cash equivalents	5	1,270,926	3,712,821	3,582,518
TOTAL ASSETS		78,400,463	123,707,732	131,231,526
EQUITY AND LIABILITIES				
Equity				
Management Share	6	1	1	1
Non-redeemable participating shares	7	16,743	16,743	16,743
Share premium	8	163,938,059	163,938,059	163,938,059
Accumulated losses		(116,658,584)	(72,591,139)	(64,817,507)
Net equity		47,296,219	91,363,664	99,137,296
Liabilities				
Due to a related party	9	31,067,458	32,318,963	32,082,230
Accruals and other payables		36,786	25,105	12,000
Total liabilities		31,104,244	32,344,068	32,094,230
TOTAL EQUITY AND LIABILITIES		78,400,463	123,707,732	131,231,526

These financial statements as at and for the year ended 31 December 2020 were approved and authorized for issuance by the Directors of the Fund on behalf of the shareholders on 30 May 2022.



Muhammad Shakeel Amjad
Director



Tasdique Amin Pasha
Director

The attached notes are an integral part of these financial statements

MANAZEL AL MAMLAKA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	31 December 2020	31 December 2019 <i>(restated)</i>
Investment income			
Changes in fair value of Wakala investment at fair value through profit or loss	4	(43,985,674)	(7,724,023)
Foreign exchange losses		–	(35,312)
Other income		31,391	19,949
Net Investment income		(43,954,283)	(7,739,386)
Operating expenses			
Professional and legal fees		(89,907)	(25,611)
Bank charges		(5,680)	(2,058)
Office expenses		(17,575)	(6,577)
Total operating expenses		(113,162)	(34,246)
Total comprehensive loss for the year		(44,067,445)	(7,773,632)

The attached notes are an integral part of these financial statements.

MANAZEL AL MAMLAKA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Saudi Riyal unless otherwise stated)

	Management Share	Non- redeemable participating shares	Share Premium	Accumulated losses	Total
31 December 2020					
As at 31 December 2019 <i>(restated)</i>	1	16,743	163,938,059	(72,591,139)	91,363,664
Total comprehensive loss for the year	–	–	–	(44,067,445)	(44,067,445)
As at 31 December 2020	1	16,743	163,938,059	(116,658,584)	47,296,219
31 December 2019 <i>(restated)</i>					
As at 31 December 2018 (as previously reported)	1	16,743	163,938,059	(59,072,601)	104,882,202
Restatement of prior years' error <i>(note 15)</i>				(5,744,906)	(5,744,906)
As at 31 December 2018 <i>(restated)</i>	1	16,743	163,938,059	(64,817,507)	99,137,296
Total comprehensive income for the year <i>(restated)</i>	–	–	–	(7,773,632)	(7,773,632)
As at 31 December 2019 <i>(restated)</i>	1	16,743	163,938,059	(72,591,139)	91,363,664

The attached notes are an integral part of these financial statements.

MANAZEL AL MAMLAKA**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020***(Expressed in Saudi Riyal unless otherwise stated)*

	Note	31 December 2020	31 December 2019 (restated)
Operating activities			
Total comprehensive loss for the year		(44,067,445)	(7,773,632)
Add: Changes in fair value of Wakala investment at fair value through profit or loss	4	43,985,674	7,724,023
		(81,771)	(49,609)
Changes in working capital:			
Due from related parties		(1,120,300)	(69,926)
Due to a related party		(1,251,505)	236,733
Accruals and other payables		11,681	13,105
Net cash (used in)/provided by operating activities		(2,441,895)	130,303
(Decrease)/increase in cash and cash equivalents during the year		(2,441,895)	130,303
Cash and cash equivalents at the beginning of the year		3,712,821	3,582,518
Cash and cash equivalents at the end of the year	5	1,270,926	3,712,821
 Supplementary information:			
Profit on bank balances		31,391	19,949

The attached notes are an integral part of these financial statements.

MANAZEL AL MAMLAKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Saudi Riyal unless otherwise stated)

1. Legal status and principal activities

Manazel Al Mamlaka (the "Fund") is a closed-ended investment fund domiciled and incorporated in the Cayman Islands on February 20, 2012 under certificate of incorporation No.MC-266442 as an exempted company, pursuant to the provisions of Cayman Islands Companies Act. The Fund commenced its operations on 1 January 2014.

The Fund's registered office is at offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Fund's investment activities are managed by The First Investor Q.P.S.C. (the 'Investment Manager').

The Fund offers its shares to a broad group of investors solely from the State of Qatar.

The Fund is regulated by Cayman Islands Monetary Authority (CIMA), under the Private Funds Act and was registered with CIMA on 5 August 2020.

The principal activity of the Fund is to indirectly invest in income producing compounds in the Kingdom of Saudi Arabia through Islamic Shariah compliant investment structure. This is achieved via a Wakala agreement with Al Mejdaf Real Estate W.L.L., a special purpose entity incorporated in the State of Qatar which will in turn be investing in Manazel Compounds Real Estate L.L.C. in the form of share capital and shareholder loans which holds income producing compound properties in the Kingdom of Saudi Arabia.

The Fund will terminate three (3) years from the First Closing Date i.e. 30 November 2015, with two one year extensions at the discretion of the Fund Board but subject to exit risk considerations as set out in the Information Memorandum. On 1 November 2021, the Directors resolved to extend the term of the for 1 more year till 1 November 2022 as permitted by the Information Memorandum.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

New and amended standards adopted with no material impact on the financial statements

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.

Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

3. Basis of preparation and significant accounting policies and estimates

Basis of preparation

These financial statements have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRIC.

These financial statements provide comparative information in respect of the previous period. In addition, the Fund presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy and retrospective restatement in the financial statements. Accordingly, an additional statement of financial position as at 1 January 2019 is presented in these financial statements due to retrospective correction of an error disclosed in Note 16.

The financial statements have been prepared in Saudi Arabian Riyal ("SAR"), which is the Fund's functional and presentation currency, and all financial information has been rounded off to the nearest SAR, unless otherwise indicated. Fund's investments and investor subscriptions are denominated in SAR. The performance of the Fund is measured and reported to the investors in SAR.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Basis of preparation (continued)

The Board of Directors considers the SAR as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Basis of measurement

These financial statements have been prepared on the historical cost basis except for Wakala investment which has been measured at fair value through profit or loss.

Significant accounting policies

The principal accounting policies that have been applied consistently by the Fund to all periods presented in these financial statements are set out below.

Revenue recognition

Income from Wakala investment at fair value through profit or loss

Income from Wakala investment at fair value through profit or loss is recognised on an accrual basis as the agent declares net results for each year and the right to receive payment is established. Losses are accounted for on the date of declaration by the agent.

Other income

Other income represents the profit earned on short term deposits and call deposits and is recognized when earned and on accrual basis.

Expenses

Expenses are recognized for amounts to be paid in the future for goods or services received whether or not billed to the Fund.

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

Financial instruments – recognition, classification, measurement, derecognition and offsetting

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

(i) Initial recognition and initial measurement

Financial assets can be classified on initial recognition (i) at amortized cost or (ii) fair value through profit or loss.

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 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.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and profit' (SPPP) on the principal amount outstanding. This assessment is referred to as the SPPP test and is performed at an instrument level. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Financial instruments – recognition, classification, measurement, derecognition and offsetting (continued)

Financial assets (continued)

(ii) Classification and subsequent measurement

For purposes of subsequent measurement, financial assets are classified as follows:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

The Fund has Wakala investment which is an Islamic Shariah compliant equity instrument and is a non-derivative financial asset and is not quoted in an active market. The equity instrument is not entered into with the intention of immediate or short-term resale but to receive the profits generated from the investment. Subsequent to initial recognition, Wakala investment at fair value through profit or loss is measured at fair value. Gains and losses arising from changes in the fair value of the Wakala investment are presented in the statement of comprehensive income within other net changes in fair value of Wakala investment at fair value through profit or loss in the period in which they arise.

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified, or impaired. The Fund's financial assets at amortised cost includes amounts due from related parties and cash balances.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- 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 either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises 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.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Financial instruments – recognition, classification, measurement, derecognition and offsetting (continued)

Financial liabilities

(i) Initial recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs. The Fund's financial liabilities consist of due to a related party and accruals and other payables.

(ii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Expected credit loss on financial assets at amortised cost

A financial asset at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

ECL is the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as provision for expected credit losses in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

There were no financial instruments subject to offset as at 31 December 2020 and 2019 (restated).

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Wakala investment at fair value through profit or loss

Wakala investment is an Islamic Shariah compliant investment structure constituted by the Fund whereby the Fund (“Muwakkil”) appoints an agent (“Wakil”) and entrusts a specified sum of money to invest in a specified business activity. The profit or loss generated from the business activity is returned back to Muwakkil after deducting a specified sum of agency fee if any prescribed in the Wakala agreement.

Wakil is a special purpose entity incorporated to support and achieve the Fund’s investment objective and the Muwakkil has residual interest in the assets of the Wakil after deducting all of its liabilities and hence the Wakala investment is assessed as an equity instrument.

The Wakala investment is classified as financial asset at fair value through profit or loss and is initially recognised at fair value and transaction costs are immediately expensed.

Subsequent to initial recognition, the Wakala investment is subsequently measured at fair value through profit or loss by recognizing losses gains or losses in the statement of comprehensive income.

Profit or loss generated on Wakala investment at fair value through profit or loss is recognised in the statement of comprehensive income.

Equity

Management shares and Non-redeemable participating shares represents the portion of authorised Management shares and Non-redeemable participating shares as per the Memorandum of Association of the Fund, which is fully paid up and are redeemable only at the time of winding up of the Fund, hence treated as equity. Share premium represents premium received on issue of Non-redeemable participating shares.

Accumulated losses include all accumulated profits/losses of the Fund less any dividends.

Foreign currency transactions

Transactions in currencies other than SAR are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described 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.

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

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Fair value measurements (continued)

As at 31 December 2020 and 2019 (restated), the Fund's financial instruments designated at fair value through profit or loss solely consists of Wakala investment at fair value through profit or loss.

Contingent liabilities

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision. As at 31 December 2020 and 2019 (restated), there were no contingent liabilities.

Events after the reporting date

Post year-end events that provide additional information about the Fund's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments

In the process of applying the Fund's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Fund's management 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, in that the Fund is able to cover its immediate accruals and other payables with its cash holding. The due to related party balance and any redemption in the Fund is restricted until the point of realisation of the Fund's assets. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue a going concern.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

The significant management estimates and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

3. Basis of preparation and significant accounting policies and estimates (continued)

Expected credit loss on financial assets at amortised cost

Expected credit loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Due from related parties

Expected credit loss (ECL) on these other receivables are measured at an allowance equal to 12-month ECL where the credit risk has not increased significantly since initial recognition, or lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk has increased significantly, the Fund takes into account quantitative and qualitative reasonable and supportable forward-looking information.

Cash and cash equivalents

Expected credit loss on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. As at 31 December 2020 and 2019 (restated), there were no expected credit losses on cash and cash equivalents.

4. Wakala investment at fair value through profit or loss

The Fund has entered into a Wakala agreement with Al Mejdaf Real Estate W.L.L., a company incorporated in the State of Qatar, on 10 June 2014 as part of its objective of indirect investment in income producing compounds in the Kingdom of Saudi Arabia through Islamic Shariah compliant structure.

As part of the Wakala agreement, The Fund ("Principal-Muwakkil") appointed Al Mejdaf Real Estate W.L.L. ("Agent-Wakeel") to indirectly invest in income producing compounds in the Kingdom of Saudi Arabia through an agreement dated 10 June 2014. The Wakeel is committed to invest in these income producing compounds through equity or debts instruments in Manazel Compounds Real Estate L.L.C. and Manazel Management Real Estate L.L.C., companies incorporated in the Kingdom of Saudi Arabia according to the terms and conditions of the Wakala agreement, (the "Underlying asset holding companies"). As per the Wakala agreement, the profits or loss generated from the investment is returned to the Fund without deduction of agency fee since the Wakeel is a special purpose entity created for achieving Fund's investment objective.

During the year ended 31 December 2020, the Fund has recognised fair value loss on Wakala investment based on fair valuation of the net equity of the Underlying asset holding companies

The fair value of Wakala investment might significantly change with any significant change to unobservable market data disclosed in Note 11. The fair value was arrived based on level 3 fair value hierarchy.

As at 31 December, the balance of Wakala investment at fair value through profit or loss is as follows:

	2020	2019 <i>(restated)</i>
As at 1 January	91,545,550	99,269,573
Changes in fair value	(43,985,674)	(7,724,023)
As at 31 December	47,559,876	91,545,550

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

5. Cash and cash equivalents

	2020	2019 (restated)
Cash at bank	56,676	2,869,093
Short term deposits	1,214,250	843,728
	1,270,926	3,712,821

6. Management Share

As at 31 December, the authorised and paid up Management Share is as follows:

<u>Authorised</u>	<u>Units</u>	<u>Rate</u>	2020	2019 (restated)
Management Share (voting)	100	1.00	100	100

<u>Paid up</u>	<u>Units</u>	<u>Rate</u>	2020	2019 (restated)
Management Share (voting)	1	1.00	1	1

Management Shares are the voting share in the Fund held by the Investment Manager of the Fund. The holder of a Management Share (in respect of such Management Share) has the right to receive notice of, attend at and vote as a Member at any general meeting of the Fund.

Management Shares also confer upon the holder the right in a winding-up to repayment of capital as provided in these Articles of Association of the Fund but confer no other right to participate in the profits or assets of the Fund and no dividends shall be payable on the Management Share.

7. Non-redeemable participating shares

As at 31 December 2020 and 2019 (restated), the authorised and paid up Non-redeemable participating shares are as follows:

<u>Authorised</u>	<u>Units</u>	<u>Rate</u>	2020	2019 (restated)
Non-redeemable participating shares (non-voting)	18,490,000	0.01	184,900	184,900

<u>Paid up</u>	<u>Units</u>	<u>Rate</u>	2020	2019 (restated)
Non-redeemable participating shares (non-voting)	1,674,338	0.01	16,743	16,743

Non-redeemable participating shares mean the non-voting participating shares held by the investors of the Fund. The holder of a participating share does not have the right to receive notice of, attend at or vote as a member at any general meeting of the Fund and are non-redeemable at the option of the holder.

Non-redeemable participating shares confer upon the holders the right in a winding up to participate in the surplus assets of the Fund and also right to receive dividends subject to restrictions set out in the Articles of Association of the Fund.

8. Share premium

Share premium represents the premium received at the rate of SAR 99.99 per share on issue of Non-redeemable participating shares. Subject to the provisions of Companies Act and Articles of Association of the Fund, Board of directors of the Fund may distribute dividends out of share premium account.

As at 31 December 2020 and 2019 (restated), the share premium balance is SAR 163,938,059.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

9. Related party disclosures

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 details of the transactions and the balances with such related parties during the year are as follows:

a) Related party transactions

<u>Name of related parties</u>	<u>Transactions</u>	2020	2019 <i>(restated)</i>
Manazel Compounds Real Estate L.L.C.	Operation expenses of a related party paid by the Fund	1,251,505	664,841
Manazel Management Real Estate L.L.C.	Operation expenses of a related party paid by the Fund	1,120,299	69,926
<i>Both entities under common control of the Investment Manager</i>			

b) Management share

	Number of shares	Nature of relationship	2020	2019 <i>(restated)</i>
The First Investor Q.P.S.C.	1	<i>Investment Manager</i>	1	1

c) Due from related parties

	Nature of relationship	2020	2019 <i>(restated)</i>
Al Mejdaf Real Estate W.L.L.	<i>Under common control of the Investment Manager</i>	22,659,551	22,659,551
Manazel Management Real Estate L.L.C.		6,910,110	5,789,810
		29,569,661	28,449,361

d) Due to a related party

	Nature of relationship	2020	2019 <i>(restated)</i>
Manazel Compounds Real Estate L.L.C.	<i>Under common control of the Investment Manager</i>	31,067,458	32,318,963

e) Nature of related party transactions

The related parties are part of Fund's investment structure. Due to the banking difficulties being experienced by these related parties in the Kingdom of Saudi Arabia, the Fund has been paying operational expenses of these related parties through Fund's bank accounts directly to the suppliers of the related parties. The expenses of these related parties are mostly of recurring in nature such as VAT filing fees, security fees for compounds, legal services fee, audit fees and property valuation fees. Likewise, due to banking difficulties being experienced initially by Manazel Compounds Real Estate L.L.C., rental receipts of the former were received in the bank account of the Fund instead of its own accounts in Kingdom of Saudi Arabia, which is essentially the payable for the Fund.

The balances accumulated as a result of this setup are neither realisable on demand nor carries any interest and are payable or receivable when the Fund realises its Wakala investment at fair value through profit or loss.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

10. Financial risk and capital management

Financial risk factors

The Fund's financial instruments are Wakala investment at fair value through profit or loss, cash and cash equivalents, due from related parties, due to a related party and accruals and other payables.

The Fund's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance. Under the Fund's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks.

The identified key risks are set out below:

a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund.

Cash in bank

Credit risk from banks and financial institutions is managed in accordance with the Fund's policy. The Fund's bank accounts are placed only with high credit quality financial institutions. Investments to any financial instruments are made only with approved parties/financial institutions and within the limits established by the management. The limits are set to minimise the concentration of risks and mitigate financial loss. As at 31 December 2020, the Fund's financial institution is rated "P-1" by Moody's for short term counterparty risk, P-1 being Prime-1; reflecting the counter party's superior ability to repay short term obligations (2019 (restated): "P-1").

Due from related parties

The credit risk on due from related parties is subjected to credit evaluations. The Fund assesses the credit quality of the counterparty, taking into account their financial position, past experience and other factors including their role in the Fund structure. Due from related parties are regularly monitored and allowances are made for any expected credit losses. Investment Manager has assessed that the due from related parties along with due to related parties shall be netted off and the net balances are paid or received when the Fund opts for an exit strategy as set out in the Information Memorandum.

The Fund's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

31 December 2020	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Due from related parties	12-month ECL	29,569,661	—	29,569,661
Cash in banks	12-month ECL	1,270,926	—	1,270,926
		30,840,587	—	30,840,587
31 December 2019 (restated)				
Due from related parties	12-month ECL	28,449,361	—	28,449,361
Cash in banks	12-month ECL	3,712,821	—	3,712,821
		32,162,182	—	32,162,182

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

10. Financial risk and capital management (continued)

Financial risk factors (continued)

b) 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 manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The table below summarises the maturities of the Fund's undiscounted financial liabilities at 31 December based on contractual payment dates.

31 December 2020	Less than 12 months	More than 12 months	Total
<i>Financial assets</i>			
Wakala investment at fair value through profit or loss	–	47,559,876	47,559,876
Due from related parties	–	29,569,661	29,569,661
Cash and cash equivalents	1,270,926	–	1,270,926
<i>Financial liabilities</i>			
Due to a related party	–	(31,067,458)	(31,067,458)
Accruals and other payables	(36,786)	–	(36,786)
<i>Net assets attributable to non-redeemable management share</i>	–	(1)	(1)
<i>Net assets attributable to non-redeemable participating shares</i>	–	(47,296,218)	(47,296,218)
Liquidity gap	1,234,140	(1,234,140)	–
31 December 2019 (restated)			
<i>Financial assets</i>			
Wakala investment at fair value through profit or loss	–	91,545,550	91,545,550
Due from related parties	–	28,449,361	28,449,361
Cash and cash equivalents	3,712,821	–	3,712,821
<i>Financial liabilities</i>			
Due to a related party	–	(32,318,963)	(32,318,963)
Accruals and other payables	(25,105)	–	(25,105)
<i>Net assets attributable to non-redeemable management share</i>	–	(1)	(1)
<i>Net assets attributable to non-redeemable participating shares</i>	–	(91,363,663)	(91,363,663)
Liquidity gap	3,687,716	(3,687,716)	–

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

10. Financial risk and capital management (continued)

Financial risk factors (continued)

c) Foreign currency risk

Foreign currency risk is the risk that arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Fund manages its foreign currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses since most of the foreign currency rates are constant against SAR. In accordance with the Fund's policy, the Investment Manager monitors the Fund's monetary and non-monetary foreign exchange exposure on a quarterly basis, and the Directors review it on a quarterly basis. As at 31 December 2020 and 2019, the Fund's foreign exchange exposure is limited to its monetary assets which consist of short term deposits and call deposits in Qatari Riyals ("QAR") and United States Dollars ("USD").

The table below summarises the Fund's monetary assets, which are denominated in a currency other than the SAR.

	As at 31 December 2020		As at 31 December 2019 (restated)	
	QAR	USD	QAR	USD
Monetary assets				
Short term deposits	408,000	806,250	—	225,000
Call deposits	46,888	2,849	2,795,387	4,348

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Price risk

The Fund is exposed to equity instruments price risk. This arises solely from Wakala investment held by the Fund for which prices in the future are uncertain. The Fund's policy requires that the overall market position is monitored on a quarterly basis by the Fund's Investment Manager and is reviewed on a quarterly basis by the Board of Directors. Compliance with the Fund's investment policies are reported to the Board on a quarterly basis.

As at 31 December 2020 and 2019 (restated), the fair value of equity instruments exposed to price risk is as follows:

	2020	2019 (restated)
Wakala investment at fair value through profit or loss	47,559,876	91,545,550

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. This arises from short term deposits held by the Fund. The Fund adopts a policy of ensuring that profit rates on short term deposits exposures are reviewed monthly. The impact of the changes in the profit rate on the short-term deposits is not considered material. The Wakala investment has a fixed profit rate, and is not exposed to any significant profit rate risk.

Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

10. Financial risk and capital management (continued)

Capital management (continued)

The Fund sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019 (restated). Equity comprises Management share, Non-redeemable participating shares, share premium and accumulated losses, and is measured at SAR 47,296,219 as at 31 December 2020 (2019 (restated): SAR 91,363,664).

The Fund is not subject to externally-imposed capital requirements.

11. Financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets:

The Fund's principal financial assets include Wakala investment at fair value through profit or loss, due from related parties and cash and cash equivalents.

Financial liabilities:

The Fund's significant financial liabilities consist of due to a related party and accruals and other payables.

Accounting policies for key items of financial assets and liabilities are set out in Note 3.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties on an arm's length basis. Since the financial statements have been prepared under the historical cost convention, the carrying values of the Fund's financial instruments as recorded could therefore be different from their fair values. However, in the opinion of the management, fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are short-term in nature or repriced frequently.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of Wakala investment at fair value through profit or loss by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2020 and 2019, the Fund held following financial instruments measured at fair value:

31 December 2020	Fair value SAR	Level 1 SAR	Level 2 SAR	Level 3 SAR
Wakala investment at fair value through profit or loss	47,559,876	–	–	47,559,876
31 December 2019 (restated)	Fair value SAR	Level 1 SAR	Level 2 SAR	Level 3 SAR
Wakala investment at fair value through profit or loss	91,545,550	–	–	91,545,550

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

11. Financial instruments (continued)

Fair value hierarchy (continued)

The fair value of Wakala investment at fair value through profit or loss is determined by reference to the fair valuation of net equity of the Underlying asset holding companies proportion to the Fund's interest in those residential compound properties.

Description of valuation techniques and key inputs to valuation of investments in underlying residential compound properties at fair value through profit or loss

In determining fair valuation of the net equity of the Underlying asset holding companies, the management has engaged an independent fair valuation specialist for fair valuing the income producing compound assets which accounts 84% of the total combined assets of these Underlying asset holding companies. The valuation was mainly determined using the market comparable approach and discounted cash flow method in accordance with Royal Institution of Chartered Surveyors (RICS) valuation standards, adopting the IFRS basis of fair value and using the established principles and valuation techniques. While for other assets which are valued at amortised cost, management has assessed that the amortized cost value is approximately equals to the fair value considering their short nature and absence of any significant financing components.

And for the liabilities of the Underlying asset holding companies, management has fair valued the bank loan which accounts 81% of the total combined liabilities of these Underlying asset holding companies with reference to the SAIBOR (Saudi Arabian Inter Bank Offered Rate) benchmark subject to floor rates of the bank while for other liabilities which are valued at amortised cost, management has assessed that the amortized cost value is approximately equals to the fair value considering their short nature and absence of any significant financing components.

31 December 2020

<i>Type of underlying assets/liabilities</i>	<i>Valuation technique</i>	<i>Key inputs</i>	<i>Range (weighted average)</i>
Land	Market comparable approach	Price per square metre	SAR 1,500
Residential compound	Income approach	Rent per square metre	SAR 450 to SAR 750
		Rent growth rate	2.50%
		Discount rate	9.50%
Bank loan	Market comparable approach	SAIBOR benchmark subject to floor rate	0.87% 4.75%

31 December 2019 (restated)

<i>Type of underlying assets/liabilities</i>	<i>Valuation technique</i>	<i>Key inputs</i>	<i>Range (weighted average)</i>
Land	Market comparable approach	Price per square metre	SAR 1,500
Residential compound	Income approach	Rent per square metre	SAR 700 to SAR 900
		Rent growth rate	2.00%
		Discount rate	10.50%
Bank loan	Market comparable approach	SAIBOR benchmark subject to floor rate	0.87% 4.75%

The fair value of Wakala investment at fair value through profit or loss is SAR 47,559,876 (2019 (restated): 91,545,550)

Market comparable approach

This approach involves a comparison of the subject property to similar properties that have actually been sold in arms' length transactions or are offered for sale. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. Generally, the opinion on value is based on evidence of open market transactions in similar property with adjustments of the comparable to differentiate the differences between the subject property and the comparable.

MANAZEL AL MAMLAKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyal unless otherwise stated)

11. Financial instruments (continued)

Description of valuation techniques and key inputs to valuation of investments in underlying residential compound properties at fair value through profit or loss (continued)

Income approach

Income approach is a valuation method appraisers and real estate investors use to estimate the value of income producing properties. It is based upon the premise of anticipation i.e., the expectation of future benefits. The most commonly used technique for assessing market value within the income approach is Discounted Cash Flow Method (DCF). Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Sensitivity analysis

As at 31 December 2020 and 2019 (restated), if the price per square metre, rent per square metre and market interest had been higher or lower by 1% with all other variables held constant, the change in the fair value of Wakala investment at fair value through profit or loss would have been SAR 7,989,055 higher or SAR 4,864,648 lower.

A significant increase (decrease) in the long-term vacancy rate and discount rate (and exit yield) with all other variables held constant would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate. Change in discount rate assumption is shown below:

31 December 2020	<i>Movement in fair value</i>	
	+0.5%	-0.5%
Wakala investment at fair value through profit or loss	(3,588,716)	4,186,835

12. Comparative figures

Certain comparative amounts and related notes to the financial statements have been reclassified to conform to the current period's presentation. Management believes that reclassification resulted to a better presentation of accounts and did not have any impact on prior year's net loss.

13. Effect of COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with significant increase in the number of cases. Measures taken by various governments to contain the virus have affected economic activities. The Fund has undertaken a number of measures to monitor and mitigate the effects of COVID-19 and at this stage, the impact on the Fund's business and results have not been significant. Therefore, management has prepared these financial statements on a going concern basis.

Whilst these events have had a limited impact on the Fund's operations to date, these may have an increased implication on the Fund's results of operations if the weakened economic environment continues. Given the uncertainty related to the duration and effect of this pandemic, the impact on the Fund's financial statements cannot be currently estimated. The spread of COVID-19 pandemic may impact the operations of the Fund for short-term. The possible short-term impact will not change in management's going concern assessment or business strategy.

13. Effect of COVID-19 (continued)***Material uncertainty relating to measurement of Wakala investment at fair value through profit or loss***

The COVID-19 outbreak has had a wide ranging impact on businesses globally as well as locally in the Kingdom of Saudi Arabia. The independent external valuers of underlying assets have taken into account latest guidelines from RICS and reported the valuations on the basis of 'material valuation uncertainty' as per RICS (Royal Institution of Chartered Surveyors) Red Book Global. Management has evaluated the basis, and meaning, of such preparation. Management understands the basis of such preparation, which primarily intends to highlight future uncertainty and a higher degree of caution. Management have considered this in respect of key sources of estimation uncertainty and have concluded based upon the Fund's investment, that the events of COVID-19 do not give rise to new course of key estimation uncertainty, nor do they impact the potential sensitivity level of a reasonable and possible change that may occur within the next 12 months.

14. Events after the reporting period

On 1 November 2021, the term of the Fund has been further extended for one more year by the Directors as permitted by the Information Memorandum. There were no other significant subsequent events which have a bearing on the understanding of the financial statements of the Fund.

15. Approval of financial statements

These financial statements for the year ended 31 December 2020 were approved and authorised for issuance by the Director of the Fund on behalf of the shareholders on 30 May 2022.

MANAZEL AL MAMLAKA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Saudi Riyal unless otherwise stated)

16. Restatement of prior years

During the year, Management has identified that the errors in the calculation of fair valuation changes of Wakala investment at fair value through profit or loss.

In accordance with the requirements of IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies Changes in Accounting Estimates and Errors” the aforementioned items have been reclassified and restated in the statement of financial position and statement of changes in equity for the year ended 31 December 2019. The impacts of the prior years’ errors are as follow:

	1 January 2019			31 December 2019		
	As previously reported	Adjustments Increase / (Decrease)	As restated	As previously reported	Adjustments Increase / (Decrease)	As restated
Statement of financial position						
<i>Assets</i>						
Wakala investment at fair value through profit or loss	105,014,479	(5,744,906)	99,269,573	105,014,479	(13,468,929)	91,545,550
<i>Equity</i>						
Accumulated losses	(59,072,601)	(5,744,906)	(64,817,507)	(59,122,210)	(13,468,929)	(72,591,139)
Statement of comprehensive income						
Changes in fair value of Wakala investment at fair value through profit or loss	(59,070,645)	(5,744,906)	(64,815,551)	—	(7,724,023)	(7,724,023)