

# **MANAZEL AL MAMLAKA**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

# **MANAZEL AL MAMLAKA**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS 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 2022, and the statement of comprehensive income, the statement of changes in net assets attributable to holders of non-redeemable participating shares and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 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 4 of the financial statements which notes that as at 31 December 2022, the Fund measured its Wakala investment at fair value through profit or loss amounting to SAR 14,355,514, based on the market comparable and income approach, which management believes represents the best estimate of the fair value. The actual realizable value may be materially different. Our opinion is not modified in respect of this matter.

We draw attention to Note 10 of the accompanying financial statements which include extensive related party transactions involving 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.

#### **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.

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF MANAZEL AL MAMLAKA**

### **Report on the Audit of the Financial Statements (continued)**

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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 Professional Services**

06 March 2025

**MANAZEL AL MAMLAKA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**  
*(Expressed in Saudi Riyal unless otherwise stated)*

|                                                                                 | <i>Note</i> | 2022<br>SAR        | 2021<br>SAR       |
|---------------------------------------------------------------------------------|-------------|--------------------|-------------------|
| <b>Assets</b>                                                                   |             |                    |                   |
| Wakala investment at fair value through profit or loss                          | 4           | 14,355,514         | 22,634,123        |
| Due from related parties                                                        | 9           | 22,659,551         | 29,894,651        |
| Profit receivable                                                               | 5           | 302,279            | —                 |
| Cash and cash equivalents                                                       | 6           | 86,960,262         | 50,732            |
| <b>Total assets</b>                                                             |             | <b>124,277,606</b> | <b>52,579,506</b> |
| <b>Liabilities</b>                                                              |             |                    |                   |
| Due to related parties                                                          | 10          | 110,204,493        | 30,094,566        |
| Accruals and other payables                                                     |             | 128,062            | 82,424            |
| <b>Total liabilities</b>                                                        |             | <b>110,332,555</b> | <b>30,176,990</b> |
| <b>Net assets attributable to holders of non-redemable participating shares</b> |             | <b>13,945,051</b>  | <b>22,402,516</b> |

The financial statements as at and for the year ended 31 December 2022 were approved and authorized for issuance by the Directors of the Fund on behalf of the shareholders on 06 March 2025.



Haithem Al-Katerji  
Director



Hamad A Aziz J M Al-Mosallam  
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 2022***(Expressed in Saudi Riyal unless otherwise stated)*

|                                                                                                              | <i>Note</i> | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|--------------------------------------------------------------------------------------------------------------|-------------|---------------------|---------------------|
| <b>Investment income</b>                                                                                     |             |                     |                     |
| Changes in fair value of Wakala investment at fair value through profit or loss                              | 4           | (8,278,609)         | (24,925,753)        |
| Other income                                                                                                 |             | —                   | 81,446              |
| <b>Net investment loss</b>                                                                                   |             | <b>(8,278,609)</b>  | <b>(24,844,307)</b> |
| <b>Operating expenses</b>                                                                                    |             |                     |                     |
| Professional and legal fees                                                                                  |             | (99,385)            | (45,638)            |
| Bank charges                                                                                                 |             | (2,139)             | (3,758)             |
| Loss on foreign exchange                                                                                     |             | (77,332)            | —                   |
| <b>Total operating expenses</b>                                                                              |             | <b>(178,856)</b>    | <b>(49,396)</b>     |
| <b>Operating loss</b>                                                                                        |             | <b>(8,457,465)</b>  | <b>(24,893,703)</b> |
| Distributions to holders of non-redeemable participating shares                                              |             | —                   | —                   |
| <b>Decrease in net assets attributable to holders of non-redeemable participating shares from operations</b> |             | <b>(8,457,465)</b>  | <b>(24,893,703)</b> |

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

**MANAZEL AL MAMLAKA****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF  
NON-REDEEMABLE PARTICIPATING SHARES  
FOR THE YEAR ENDED 31 DECEMBER 2022***(Expressed in Saudi Riyal unless otherwise stated)*

|                                                                                                       | 2022<br>QR  | 2021<br>QR   |
|-------------------------------------------------------------------------------------------------------|-------------|--------------|
| Net assets attributable to holders of non-redeemable participating shares at 1 January                | 22,402,516  | 47,296,219   |
| Decrease in net assets attributable to holders of non-redeemable participating shares from operations | (8,457,465) | (24,893,703) |
| Net assets attributable to holders of non-redeemable participating shares at 31 December              | 13,945,051  | 22,402,516   |

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

**MANAZEL AL MAMLAKA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Expressed in Saudi Riyal unless otherwise stated)*

|                                                                                   | <i>Note</i> | 2022<br>SAR       | 2021<br>SAR        |
|-----------------------------------------------------------------------------------|-------------|-------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                                                       |             |                   |                    |
| Decrease in amount attributable to holders of non-redeemable participating shares |             | (8,457,465)       | (24,893,703)       |
| Adjustments:                                                                      |             |                   |                    |
| Changes in fair value of Wakala investment at fair value through profit or loss   | 4           | 8,278,609         | 24,925,753         |
|                                                                                   |             | (178,856)         | 32,050             |
| Changes in working capital:                                                       |             |                   |                    |
| Due from related parties                                                          |             | 7,235,100         | (324,990)          |
| Profit receivable                                                                 |             | (302,279)         | —                  |
| Due to a related party                                                            |             | 80,109,927        | (972,892)          |
| Accruals and other payables                                                       |             | 45,638            | 45,638             |
| <b>Net cash generated from/(used in) operating activities</b>                     |             | <b>86,909,530</b> | <b>(1,220,194)</b> |
| <br>Increase/(decrease) in cash and cash equivalents during the year              |             | <br>86,909,530    | <br>(1,220,194)    |
| Cash and cash equivalents at the beginning of the year                            |             | 50,732            | 1,270,926          |
| <b>Cash and cash equivalents at the end of the year</b>                           | 6           | <b>86,960,262</b> | <b>50,732</b>      |
| <b>Supplementary information:</b>                                                 |             |                   |                    |
| Profit on bank balances                                                           |             | 147               | 711                |

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 2022 (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, Uglund 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'), a company domiciled in the State of Qatar.

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 (as revised) and was registered with CIMA on 5 August 2020.

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 fund for 1 more year till 1 November 2022 as permitted by the Information Memorandum.

On 07 January 2024, the Directors resolved to extend the term of the Fund till 30 November 2024 as permitted by the Information Memorandum.

On 30 November 2024, the Directors resolved to extend the term of the Fund, until the commencement of the voluntary liquidation of the Fund as permitted by the Information Memorandum

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.

### 2. Adoption of new and revised International Financial Reporting Standards

#### 2.1. New standards and amendments effective in the period on or after 1 January 2022

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2022. The Fund has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period

##### *Amendments to IAS 37 Onerous Contracts – Costs of fulfilling a contract*

The Group also adopted the amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. There was no impact of adopting this amendment and no contracts have been identified as onerous.

#### 2.2. New standards and amendments issued but not yet effective

Disclosure of The IASB amended IAS 1 to require entities to disclose their material rather than 1 January 2023  
Accounting their significant accounting policies The amendments define what is 'material  
Policies – accounting policy information' and explain how to identify when accounting  
Amendments to policy information is material. They further clarify that immaterial accounting  
IAS 1 and IFRS policy information does not need to be disclosed. If it is disclosed, it should not  
Practice Statement obscure material accounting information. To support this amendment, the IASB  
2 also amended IFRS Practice Statement 2 Making Materiality Judgements to  
provide guidance on how to apply the concept of materiality to accounting policy  
disclosures.

# MANAZEL AL MAMLAKA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Expressed in Saudi Riyal unless otherwise stated)

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

#### 2.2. New standards and amendments issued but not yet effective (Continued)

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Definition of Accounting Estimates Amendments IAS 8 | of The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, to because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. | 1 January 2023 |
| Amendments IAS 1                                    | to The amendment to IAS 1 clarifies requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified.                                                                                                                                                                                                                                                                                              | 1 January 2023 |

The Management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

### 3. Basis of preparation and significant accounting policies and estimates

#### Basis of preparation

The financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standard Board) and interpretations issued by the IFRIC. 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.

#### 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.

When an asset and liability, financial or non-financial, are measured at fair value for recognition or disclosure purposes, are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

#### Significant accounting policies

These principal accounting policies that have been applied consistently by the Fund to all years 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.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and unrestricted cash in banks excluding bank overdrafts, if any.

# MANAZEL AL MAMLAKA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (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

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.

##### (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 losses. 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.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(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)**

**(iii) Derecognition (continued)**

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.

**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.

**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 2022 and 2021.

**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.

There were no expected credit losses recognized for the years ended 31 December 2022 and 2021.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(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.

**Related parties**

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 and operational decisions. Related parties include entities over which the Fund exercises significant influence, shareholders, directors, executive management of the Fund.

During the period, certain transactions have occurred with related parties on the same commercial basis and conditions as other non-related parties. Pricing policies and terms of these transactions are approved by the Fund's management.

**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.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Expressed in Saudi Riyal unless otherwise stated)*

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

**Fair value measurements (continued)**

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.

As at 31 December 2022 and 2021, 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.

**Taxation**

The Fund is domiciled in the Caymans Islands. Under the current laws of Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Fund.

**Transaction cost**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

**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 2022 and 2021, 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. 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.

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

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:

*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 expected credit losses 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 due from related parties 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 2022 and 2021, 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. ("Property holding companies"), companies incorporated in the Kingdom of Saudi Arabia according to the terms and conditions of the Wakala agreement. 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. In accordance with the Wakala agreement, termination may occur upon the conclusion of all investments of the Wakala amount, upon written notice by either party or if the other party is in breach, or on a date mutually agreed upon by the parties in writing.

During March 2022, the property under Manazel Management Real Estate L.L.C. was sold to a third party.

During the year ended 31 December 2022 and 2021, the Fund has recognised fair value loss on Wakala investment based on the net equity of Property holding companies.

The fair value of Wakala investment might significantly change with any significant change to unobservable market data. 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:

|                       | 2022<br>SAR | 2021<br>SAR  |
|-----------------------|-------------|--------------|
| As at 1 January       | 22,634,123  | 47,559,876   |
| Changes in fair value | (8,278,609) | (24,925,753) |
| As at 31 December     | 14,355,514  | 22,634,123   |

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**5. Profit receivable**

Profit receivable represents the accrued profit as at 31 December 2022 on the short-term deposit amounting to SAR 86,365,500. Profit rate on the fixed deposit is 5.25% and the short-term deposit is set to mature on 07 March 2023.

**6. Cash and cash equivalents**

|                         | 2022<br>SAR       | 2021<br>SAR   |
|-------------------------|-------------------|---------------|
| Cash at bank            | 594,762           | 50,732        |
| Short-term deposits (i) | 86,365,500        | —             |
|                         | <b>86,960,262</b> | <b>50,732</b> |

(i) On 07 June 2022, the Fund received SAR 99,000,000 from its related party Management Real Estate L.L.C. (MMRE), derived from the sale of the underlying property by MMRE to a third party (Note 4). These funds were invested by the Fund in a series of short-term deposits and withdrawn as required. The profit on these short-term deposits is payable to Management Real Estate L.L.C.

**7. Management Share**

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

| <u>Authorized</u>         | <u>Units</u> | <u>Rate<br/>SAR</u> | 2022<br>SAR | 2021<br>SAR |
|---------------------------|--------------|---------------------|-------------|-------------|
| Management Share (voting) | 100          | 1.00                | 100         | 100         |
| <u>Issued and paid up</u> | <u>Units</u> | <u>Rate<br/>SAR</u> | 2022<br>SAR | 2021<br>SAR |
| Management Share (voting) | 1            | 1.00                | 1           | 1           |

Management Shares mean the voting share in the Fund held by the Investment Manager of the Fund. The holder of a Management Shares (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 Shares.

**8. Non-redeemable participating shares**

As at 31 December 2022 and 2021, the authorised and paid up non-redeemable participating shares are as follows:

| <u>Authorised</u>                                | <u>Units</u> | <u>Rate<br/>SAR</u> | 2022<br>SAR | 2021<br>SAR |
|--------------------------------------------------|--------------|---------------------|-------------|-------------|
| Non-redeemable participating shares (non-voting) | 18,490,000   | 0.01                | 184,900     | 184,900     |
| <u>Issued and paid up</u>                        | <u>Units</u> | <u>Rate<br/>SAR</u> | 2022<br>SAR | 2021<br>SAR |
| Non-redeemable participating shares (non-voting) | 1,674,338    | 0.01                | 16,743      | 16,743      |

Non-redeemable participating shares means 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.

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**9. 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 2022 and 2021, the share premium balance is SAR 163,938,059.

**10. 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. All the related parties except Investment Manager are part of the Fund structure as set out in the Information memorandum to achieve the Fund's investment objective.

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>Nature of relationship</u>                  | <u>Transactions</u>                                    | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|---------------------------------------|------------------------------------------------|--------------------------------------------------------|---------------------|---------------------|
| Manazel Compounds Real Estate L.L.C.  | Under common control of the investment manager | Operation expenses of a related party paid by the Fund | 532,091             | 972,892             |
| Manazel Management Real Estate L.L.C. |                                                | Operation expenses of a related party paid by the Fund | 212,182             | 324,990             |

**b) Management shares**

|                             | <b>Number of<br/>shares</b> | <b>Nature of relationship</b> | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|-----------------------------|-----------------------------|-------------------------------|---------------------|---------------------|
| The First Investor Q.P.S.C. | 1                           | Investment Manager            | 1                   | 1                   |

**c) Due from related parties**

|                                       | <b>Nature of relationship</b>                  | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|---------------------------------------|------------------------------------------------|---------------------|---------------------|
| Al Mejdaf Real Estate W.L.L.          | Under common control of the investment manager | 22,659,551          | 22,659,551          |
| Manazel Management Real Estate L.L.C. |                                                | –                   | 7,235,100           |
|                                       |                                                | <b>22,659,551</b>   | <b>29,894,651</b>   |

**d) Due to related parties**

|                                       | <b>Nature of relationship</b>                  | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|---------------------------------------|------------------------------------------------|---------------------|---------------------|
| Manazel Management Real Estate L.L.C. | Under common control of the investment manager | 93,542,629          | –                   |
| Manazel Compounds Real Estate L.L.C.  |                                                | 16,661,864          | 30,094,566          |
|                                       |                                                | <b>110,204,493</b>  | <b>30,094,566</b>   |

**e) Nature of related party transactions**

The related parties are part of the 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 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 realizable 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.

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**11. 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 minimize 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 2022, 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 (2021: "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.

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:

| 2022                     | 12 month or<br>lifetime ECL | Gross carrying<br>amount<br>SAR | Loss<br>Allowance<br>SAR | Net carrying<br>amount<br>SAR |
|--------------------------|-----------------------------|---------------------------------|--------------------------|-------------------------------|
| Due from related party   | Lifetime ECL                | 22,659,551                      | —                        | 22,659,551                    |
| Cash in banks            | 12-month ECL                | 86,960,262                      | —                        | 86,960,262                    |
|                          |                             | <b>109,619,813</b>              | <b>—</b>                 | <b>109,619,813</b>            |
| <b>2021</b>              |                             |                                 |                          |                               |
| Due from related parties | Lifetime ECL                | 29,894,651                      | —                        | 29,894,651                    |
| Cash in banks            | 12-month ECL                | 50,732                          | —                        | 50,732                        |
|                          |                             | <b>29,945,383</b>               | <b>—</b>                 | <b>29,945,383</b>             |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Expressed in Saudi Riyal unless otherwise stated)

### 11. 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.

| 2022                                                                  | Less than 12 months<br>SAR | More than 12 months<br>SAR | Total<br>SAR  |
|-----------------------------------------------------------------------|----------------------------|----------------------------|---------------|
| <i>Financial assets</i>                                               |                            |                            |               |
| Wakala investment at fair value through profit or loss                | –                          | 14,355,514                 | 14,355,514    |
| Due from related parties                                              | –                          | 22,659,551                 | 22,659,551    |
| Profit receivable                                                     | 302,279                    | –                          | 302,279       |
| Cash and cash equivalents                                             | 86,960,262                 | –                          | 86,960,262    |
| <i>Financial liabilities</i>                                          |                            |                            |               |
| Due to a related party                                                | (110,204,493)              | –                          | (110,204,493) |
| Accruals and other payables                                           | (128,062)                  | –                          | (128,062)     |
| <i>Net assets attributable to non-redeemable participating shares</i> | –                          | (13,945,051)               | (13,945,051)  |
| Liquidity gap                                                         | (23,070,014)               | 23,070,014                 | –             |
| 2021                                                                  |                            |                            |               |
| <i>Financial assets</i>                                               |                            |                            |               |
| Wakala investment at fair value through profit or loss                | –                          | 22,634,123                 | 22,634,123    |
| Due from related parties                                              | –                          | 29,894,651                 | 29,894,651    |
| Cash and cash equivalents                                             | 50,732                     | –                          | 50,732        |
| <i>Financial liabilities</i>                                          |                            |                            |               |
| Due to related parties                                                | –                          | (30,094,566)               | (30,094,566)  |
| Accruals and other payables                                           | (82,424)                   | –                          | (82,424)      |
| <i>Net assets attributable to non-redeemable participating shares</i> | –                          | (22,402,516)               | (22,402,516)  |
| Liquidity gap                                                         | (31,692)                   | 31,692                     | –             |

##### 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 2022 and 2021, 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<br>2022 |       | As at 31 December<br>2021 |       |
|------------------------|---------------------------|-------|---------------------------|-------|
|                        | QAR                       | USD   | QAR                       | USD   |
| <i>Monetary assets</i> |                           |       |                           |       |
| Short term deposits    | 83,850,000                | –     | –                         | –     |
| Call deposits          | 568,133                   | 2,368 | 37,215                    | 3,208 |

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**11. Financial risk and capital management (continued)**

**Financial risk factors (continued)**

**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 2022 and 2021, the fair value of equity instruments exposed to price risk is as follows:

|                                                        | 2022       | 2021       |
|--------------------------------------------------------|------------|------------|
| Wakala investment at fair value through profit or loss | 14,355,514 | 22,634,123 |

*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.

**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.

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 2022 and 2021. Equity comprises Management share, non-redeemable participating shares, share premium and accumulated losses, and is measured at SAR 13,945,051 as at 31 December 2022 (2021: SAR 22,402,516).

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

**12. 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 a related party and cash and cash equivalents.

*Financial liabilities:*

The Fund's significant financial liabilities consist of due to related parties 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (Expressed in Saudi Riyal unless otherwise stated)

### 12. Financial instruments (Continued)

#### 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 2022 and 2021, the Fund held following financial instruments measured at fair value:

| 2022                                                   | Fair value<br>SAR | Level 1<br>SAR | Level 2<br>SAR | Level 3<br>SAR |
|--------------------------------------------------------|-------------------|----------------|----------------|----------------|
| Wakala investment at fair value through profit or loss | 14,355,514        | —              | —              | 14,355,514     |
| 2021                                                   | Fair value<br>SAR | Level 1<br>SAR | Level 2<br>SAR | Level 3<br>SAR |
| Wakala investment at fair value through profit or loss | 22,634,123        | —              | —              | 22,634,123     |

The fair value of Wakala investment at fair value through profit or loss is determined by reference to the net equity of the Property holding companies in the Kingdom of Saudi Arabia in proportion to the Fund's interest in those Property holding companies.

#### Description of valuation techniques and key inputs to valuation of investment 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 74% 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.

| 2022 | Type of underlying asset | Valuation technique        | Key inputs                                                 | Range (weighted average)             |
|------|--------------------------|----------------------------|------------------------------------------------------------|--------------------------------------|
|      | Residential compound     | Income approach            | Rent per square metre<br>Rent growth rate<br>Discount rate | SAR 450 to SAR 750<br>2.50%<br>9.50% |
|      | Bank loan                | Market comparable approach | SAIBOR benchmark<br>subject to floor rate                  | 5.28%<br>8.78%                       |

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**12. Financial instruments (continued)**

| 2021                     |                            |                        |                          |
|--------------------------|----------------------------|------------------------|--------------------------|
| Type of underlying asset | Valuation technique        | Key inputs             | Range (weighted average) |
| Land                     | Market comparable approach | Price per square metre | SAR 1700                 |
|                          |                            | Rent per square metre  | SAR 450 to SAR 750       |
| Residential compound     | Income approach            | Rent growth rate       | 2.50%                    |
|                          |                            | Discount rate          | 9.50%                    |
| Bank loan                | Market comparable approach | SAIBOR benchmark       | 0.87%                    |
|                          |                            | subject to floor rate  | 4.37%                    |

The fair value of Wakala investment at fair value through profit or loss is SAR 14,355,514 (2021: SAR 22,634,123).

*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.

*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 2022 and 2021, 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 2022, if the price per square metre and rent per square metre and the 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 6,573,912 higher or SAR 1,279,422 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:

| 2022                                                   | Movement in fair value |           |
|--------------------------------------------------------|------------------------|-----------|
|                                                        | +0.5%                  | -0.5%     |
| Wakala investment at fair value through profit or loss | (2,759,786)            | 2,759,786 |

**13. 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.

**14. Bank loans and other borrowings**

The Fund had no bank loans or other borrowings as at 31 December 2022 and 2021.

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#### **15. Security lending arrangements**

As at 31 December 2022 and 2021, the Fund did not enter into any security lending arrangements.

#### **16. Negotiability of assets**

As at 31 December 2022 and 2021, there was no statutory or contractual requirements restricting the negotiability of the assets of the Fund.

#### **17. Commitments**

There were no subscriptions and redemptions pending at the years ended 31 December 2022 and 2021. No material provisions, contingencies and commitments are considered. There were no subscriptions or redemptions of participating shares during the years ended 31 December 2022 and 2021.

#### **18. Contingent liabilities**

The Fund had no material contingent liabilities as at 31 December 2022 and 2021.

#### **19. Events after the reporting period**

- i) The geopolitical situation between Israel and Palestine intensified in October 2023 when Israel formally declared a state of war following the attacks by Hamas militants. The Investment Manager does not consider there to be any material impact or risk of potential future impact related directly to the war, even though the Fund has direct or indirect business operations, interests, or investments in Israel. The Investment Manager is however mindful of the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war and the situations continue to be closely monitored.
- ii) In May 2024, the bank provided an updated loan repayment schedule to Manazel Compounds Real Estate L.L.C., the entity holding the underlying asset related to the Wakala investment. This updated repayment schedule was issued after the reporting date of 31 December 2022 and reflects revised terms for the repayment of the loan recorded in the underlying property holding company's books. The Wakala investment's fair value as of 31 December 2022 was calculated based on the repayment schedule available as of the reporting date. The updated repayment schedule, received in May 2024, does not provide evidence of conditions that existed as of the reporting date and has therefore not been considered in the fair value computation as of 31 December 2022.
- iii) On 30 November 2024, the Directors resolved to extend the term of the Fund, until the commencement of the voluntary liquidation of the Fund 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.

#### **20. Approval of financial statements**

These financial statements for the year ended 31 December 2022 were approved and authorised for issuance by the Director of the Fund on behalf of the shareholders on 06 March 2025.