

**MANAZEL AL MAMLAKA**

**Financial Statements  
For the year ended December 31, 2019**

**MANAZEL AL MAMLAKA**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Management of MANAZEL AL MAMLAKA**  
**Report on the Audit of the Financial Statements**

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**Opinion**

We have audited the financial statements for management purpose of **MANAZEL AL MAMLAKA** (the Company), which comprise the statement of financial position as at December 31, 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements and these report have been prepared solely for the internal management purpose.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 – Basis of Preparation and Restriction on Distribution and use**

We draw attention to note 2.1 of the financial statements that explain the basis of preparation. The financial statements of the Company are prepared to assist the management in internal decision making. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Company and may not be distributed to or used by the parties other than the management of the Company. Our opinion is not modified in respect to the matter described above.

**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 IFRSs, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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



**Dr. Sultan Hassan Al Dosari**

Dr. Sultan Al Dosari & Partners Chartered Accountants  
Member Firm of Grant Thornton International  
Doha, State of Qatar

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**02 DEC 2020**



**MANAZEL AL MAMLAKA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	Notes	Dec 31 2019	Dec 31 2018
		-----SAR-----	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	3,712,821	3,582,518
Due from related parties	5	28,449,361	28,379,435
		<u>32,162,182</u>	<u>31,961,953</u>
<b>NON CURRENT ASSETS</b>			
Wakala Investment	6	105,014,479	105,014,479
		<u>105,014,479</u>	<u>105,014,479</u>
<b>TOTAL ASSETS</b>		<u><u>137,176,661</u></u>	<u><u>136,976,432</u></u>
<b>CURRENT LIABILITIES</b>			
Other payable	7	12,865	-
Accrued expenses	8	12,240	12,000
Due to related parties	5	32,318,963	32,082,230
		<u>32,344,068</u>	<u>32,094,230</u>
<b>SHARE HOLDERS' FUND</b>			
Management share	9	1	1
Participating share	10	16,743	16,743
Share premium	11	163,938,059	163,938,059
Accumulated losses		(59,122,210)	(59,072,601)
		<u>104,832,593</u>	<u>104,882,202</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>137,176,661</u></u>	<u><u>136,976,432</u></u>



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**Director**

The annexed notes form an integral part of these financial statements.



**MANAZEL AL MAMLAKA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

	Notes	Dec 31 2019 -----SAR-----	Dec 31 2018
General and administrative expenses	12	(69,558)	(59,121,129)
Other income	13	19,949	48,528
loss for the year		(49,609)	(59,072,601)
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(49,609)</b>	<b>(59,072,601)</b>

The annexed notes form an integral part of these financial statements.

**MANAZEL AL MAMLAKA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

	Management share	Participating shares	Share premium	Accumulated losses	Total
	-----SAR-----				
Balance as at January 01, 2018	1	16,743	163,925,820	-	163,942,564
Loss for the year	-	-	-	(59,072,601)	(59,072,601)
Dividend declared during the year	-	-	12,239	-	12,239
<b>Balance as at December 31, 2018</b>	<b>1</b>	<b>16,743</b>	<b>163,938,059</b>	<b>(59,072,601)</b>	<b>104,882,202</b>
Loss for the year	-	-	-	(49,609)	(49,609)
<b>Balance as at December 31, 2019</b>	<b>1</b>	<b>16,743</b>	<b>163,938,059</b>	<b>(59,122,210)</b>	<b>104,832,593</b>

The annexed notes form an integral part of these financial statements.

**MANAZEL AL MAMLAKA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
<b>Cash flow from operating activities</b>		
<b>Loss for the year</b>	<b>(49,609)</b>	(59,072,601)
<u>Adjustments for non-cash charges and other items:</u>		
Impairment loss of wakala investment	-	59,070,645
	<u>(49,609)</u>	<u>(1,956)</u>
<b>(increase)/decrease in current assets:</b>		
Due from related parties	<b>(69,926)</b>	(2,885,250)
<b>Increase/(decrease) in current liabilities:</b>		
Other payable	<b>12,865</b>	-
Accrued expenses	<b>240</b>	12,000
Due to related parties	<b>236,733</b>	(163,850)
Cash (used in)/ generated from operations.	<u><b>130,303</b></u>	<u>(3,039,056)</u>
Net cash (used in)/ generated from operations.	<u><b>130,303</b></u>	<u>(3,039,056)</u>
<b>Cash flow from financing activities</b>		
<b>Net cash generated from / ( used in ) financing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flow from investing activities</b>		
<b>Net cash generated from /(used in) financing activities</b>	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	<b>130,303</b>	(3,039,056)
Cash and cash equivalents at the beginning of the year	<b>3,582,518</b>	6,621,574
<b>Cash and cash equivalents at the end of the year</b>	<u><b>3,712,821</b></u>	<u>3,582,518</u>

The annexed notes form an integral part of these financial statements.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

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**1 INCORPORATION AND ACTIVITIES**

Manazel Al Mamlaka ("the Company") is an exempted company with limited liability established in Cayman Islands pursuant to the companies law CAP 22 having registration number MC-266442 & was incorporated in Cayman Islands on February 20, 2012 however, the operations began only on January 1 2014, The registered address of the company is at Maples corporate services PO Box 309, Uglan House South church street George town Grand Cayman, KY1-1104 Cayman Island.

These financial statements have been prepared for the purpose of reporting the results of the Company to the investors for the year ended December 31, 2019 and are intended for management purpose only.

The Company is engaged in providing sharia compliant investment solutions whereby it invites equity participation from interested investors and invest in to sharia compliant investments.

**2 BASIS OF PREPARATION**

**2.1 Accounting convention and basis of preparation**

These financial statements have been prepared under the historical cost convention except as other wise stated in the respective policies and notes given hereunder. The Company's functional and reporting currency is Saudi Riyals (SAR). These financial statements have been prepared for the purpose of reporting the results of the Company to the investors for the year ended December 31, 2019 and are intended for management purpose only.

**2.2 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**2.3 Going concern**

The Company's has incurred loss for the year 2019 SAR 49,609 (2018: SAR 59,072,671) and having accumulated losses as at December 31, 2019 amounted to SAR. 59,122,210 (2018: SAR 59,072,601). Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Finally, the management is not aware of any significant uncertainties that may cast significant doubt upon the Company's ability to continue as going concern. Therefore, the financial statements continue to be prepared on going concern basis.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

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**2.4 New Accounting Standards, Amendments And IFRIC Interpretations**

**2.4.1 Adoption of new and revised Standards**

During the current period, the Company adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on January 1, 2019

<b>Topic</b>	<b>Effective date</b>
IFRS 16 leases	January 01, 2019
Annual Improvements to IFRSs 2015-2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation.	January 01, 2019
Amendments in IAS 19 Employee benefits relating to amendment, curtailment or settlement of a defined benefit plan.	January 01, 2019
Amendments in IAS 28 Investment in Associates and Joint Ventures relating to long term interest in associates and joint ventures	January 01, 2019

The adoption of the above did not result any changes to previously reported net profit or equity of the Company.

**2.4.2 Standards issued but not yet effective**

The following revised standards, amendments and interpretations to the approved accounting standards, would be effective from the dates mentioned below against the respective standards:

<b>Effective date (annual periods beginning on or after)</b>	<b>Effective date</b>
<b>IAS/IFRS</b>	
Leases Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 01, 2020
Amendments to IFRS 3 Business Combinations relating to definition of a business	January 01, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	January 01, 2020
IFRS 17 Insurance Contracts	January 01, 2023
	Effective date
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures (2011) relating to the treatment of the sale or construction of the assets from and investor to its associate or joint venture.	deferred indefinitely. Adoption is still permitted.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Significant estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for Murabaha receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

#### **3.2 Provisions, contingent liabilities and contingent assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

### 3.3 Financial instruments

#### **Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets: subsequent measurement**

Financial asset classification and measurement is an area where many changes have been introduced by IFRS 9. Consistent with IAS 39, the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be reclassified.

Subsequent to initial recognition, all assets within the scope of IFRS 9 are measured at:

- amortized cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit or loss (FVTPL).

The FVTOCI classification is mandatory for certain debt instrument assets unless the option to FVTPL ('the fair value option') is taken. Whilst for equity investments, the FVTOCI classification is an election. The requirements for reclassifying gains or losses recognized in other comprehensive income (OCI) are different for debt and equity investments. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The difference between cumulative fair value gains or losses and the cumulative amounts recognized in profit or loss is recognized in OCI until derecognition, when the amounts in OCI are reclassified to profit or loss. This contrasts with the accounting treatment for investments in equity instruments designated at FVTOCI under which only dividend income is recognized in profit or loss with all other gains and losses recognized in OCI and there is no reclassification on derecognition.

#### **Expected credit loss model**

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortized cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IFRS 16 Leases.

Entities are generally required to recognize 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognize lifetime ECL. For trade receivables, a simplified approach is applied whereby the lifetime ECL are always recognized.

### **3.3 Financial instruments (Cont.)**

#### **Impairment and collectability of financial assets**

Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its financial assets. The allowance for impairment charged depends on whether there has been a significant increase in credit risk.

#### **Classification and subsequent measurement of financial liabilities**

Financial liabilities comprise, trade and most other payables and amounts due to related parties. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are included within 'finance costs'.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3.4 Revenue**

The Company is engaged in providing sharia compliant investment solutions whereby it invites equity participation from interested investors and invest in to sharia compliant investments.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statements of financial position comprise current account balances with banks and are initially and subsequently recorded at fair value. For purpose of the statement of cash flows, all bank balances are considered to be cash equivalents.

### **3.6 Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior years' profits and losses. All transactions with the owners of the Company are recorded separately within equity.

### **3.7 Foreign currency transactions**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in statement of profit or loss for the year.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
<b>4 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	2,852,780	3,581,955
Fixed deposits	860,041	-
Other deposits	-	563
	<u>3,712,821</u>	<u>3,582,518</u>

**5 RELATED PARTIES TRANSACTIONS**

The Company in the normal course of business carries on transactions with other enterprises that fall within the definition of related party. These transactions are carried out in the normal course of business and are measured at the amounts agreed to by both the parties. Following are the details of related party balances.

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
<b>Due from related parties</b>		
Al mejdaf real estate	22,659,551	22,659,551
Manazel management real estate	<u>5,789,810</u>	<u>5,719,884</u>
	<u>28,449,361</u>	<u>28,379,435</u>
<b>Due to related parties</b>		
Manazel compound real estate	<u>32,318,963</u>	<u>32,082,230</u>

**Related Party Transactions**

The company related parties include its associates, joint venture, entities under common control, key management personnel. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Following are the details of related party transactions.

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
Expenses	<u>306,659</u>	<u>132,205</u>
<b>6 WAKALA INVESTMENT</b>		
Al mejdaf - wakala investment	<u>105,014,479</u>	<u>105,014,479</u>
<b>7 OTHER PAYABLE</b>		
Other payable	<u>12,865</u>	<u>-</u>
<b>8 ACCRUED EXPENSES</b>		
Accrued expenses	<u>12,240</u>	<u>12,000</u>

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

**9 MANAGEMENT SHARE**

			Dec 31 2019	Dec 31 2018
<b>Authorized issued and fully paid</b>	<u>Unit</u>	<u>Rate</u>	-----SAR-----	
Authorized 100 shares	1	1	<u>1</u>	<u>1</u>
Issued 1 share @ SAR 1 each				

Management share owned by The First Investor P.Q.S.C The holder of management share has the right to receive notice of, attend at and vote as a member of any general meeting of the company.

A Management share confers upon the holder of the right in a winding up to repayment of capital after settlement of creditors and par value of participating shares but confers no other right to participate in the profits or assets of the company

**10 PARTICIPATING SHARES**

			Dec 31 2019	Dec 31 2018
<b>Authorized issued and fully paid</b>	<u>Unit</u>	<u>Rate</u>	-----SAR-----	
Authorized 18,490,000 shares	1,674,338	0.01	<u>16,743</u>	<u>16,743</u>

Issued 1,674,338 shares @ SAR 0.01 each

All shares carry equal rights and are owned by various investors. The holder of participating share has the right to receive dividends as declared by directors of the company.

A Participating shareholder does not have the right to receive notice to attend and vote as a member of any general meeting of the company.

A Participating share confers upon the holder the right in a winding up to repayment of capital after settlement of creditors and share in surplus after distributing management share at par value.

**11 SHARE PREMIUM**

Share premium account – includes any premiums received on issue of share capital. An amount received from share holder SAR 99.99 per share. As per article of association of the company the share premium amount can be used to distribute in the form of dividend subject to compliance of the statute and as determined by the board of directors of the company.

**12 ADMINISTRATIVE AND GENERAL EXPENSES**

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
Office expenses	6,577	-
Legal and professional fees	25,611	25,090
Forex loss	35,312	24,110
Bank service charge	2,058	1,284
Impairment loss of wakala investment	-	59,070,645
	<u>69,558</u>	<u>59,121,129</u>

**13 OTHER INCOME**

Bank profit	<u>19,949</u>	<u>48,528</u>
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**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

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**14 CONTINGENCIES AND COMMITMENTS**

It is not anticipated that any material liabilities will arise from the contingent liabilities which were issued in the normal course of the business.

**15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, profit rate risk and certain other price risk, which resulted from its operating activities. The Company's risk management is coordinated at its head quarters and focuses on actively security the Company's cash flows.

Financial instrument comprises of cash and bank balances, accounts and other receivables, other payables, due from and due to related parties. The most significant financial risk to which the company is exposed to are described below.

**15.1 Credit risk management**

Credit risk represents the accounting loss that would be recognized on the reporting date if counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its trade and other receivables, due from associated companies and balances with banks. The credit risk on liquid funds is limited as the counter parties are banks with reasonably good ratings.

	Dec 31 2019	Dec 31 2018
	-----SAR-----	
Cash at bank	2,852,780	3,581,955
Due from related parties	28,449,361	28,379,435
	<u>31,302,141</u>	<u>31,961,390</u>

**Credit quality per class of financial asset**

The company continuously monitors defaults of customers and other counterparty, identified either individually or by group and incorporates this information into credit risk controls. Where available at reasonable cost, external credit ratings and /or reports on customers and other counterparties are obtained and used. The company's policy is to deal only with creditworthy counterparties. The company's management considers that all the above financial assets that are past due but not impaired for each of the reporting date under review are of good credit quality.

**15.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of financial position liquidity ratios, debtors and creditors concentration both in terms of the overall finding mix and avoidance of undue reliance on large individual customer.

**MANAZEL AL MAMLAKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31 2019**

**15 Financial Risk Management Objectives And Policies (cont.)**

**Liquidity risk (cont.)**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the company's financial liabilities at 31st December based on contractual undiscounted payments.

2019	Carrying amount	Contractual Cash flows	Less than 12 months
	-----SAR-----		
<b>Due to related parties</b>	32,318,963	32,318,963	32,318,963
<b>Other payable</b>	12,865	12,865	12,865
2018	Carrying amount	Contractual Cash flows	Less than 12 months
	-----SAR-----		
Due to related parties	32,082,230	32,082,230	32,082,230

**15.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market profit rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risks: profit rate risk, currency risk and other price risk.

**a) Currency / Foreign exchange rate risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). Most of the company's transaction are carried out in Saudi Riyal

**b) Profit rate risk**

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Company's exposure to the risk of changes in market profit rates relates primarily to the Company's short term debt obligations with floating profit rates.

**c) Other price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to equity securities price risk since it does not hold such instruments.

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**15.4 Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. Differences can therefore arise between the book values under historical cost method and fair value estimates. The management believes that the fair value of the financial assets and liabilities of the Company are not materially different from their carrying amounts except for the impairment incurred.

**15.5 Fair value of non - financial instruments**

The fair value of the company's assets is estimated based on the valuation performed by the independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at the reporting date.

**16 GENERAL**

**16.1 Rounding off**

Figures have been rounded off to the nearest SAR. 1

**16.2 Date of authorization**

These financial statements for the year December 31, 2019 were authorized for issue on by the Board of Directors of the Company, signed on their behalf by the Managing Director of the company on 02 DEC 2020.

**16.3 Events occurring after the reporting date**

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 190 countries now affected. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates, and rising unemployment claims. For the purpose of these financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities.