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Independent Auditor's Report

Their Excellency Board of Directors - Future Generation Reserve

Opinion

We have audited the financial statements of Future Generation Reserve (the Reserve), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as indicated in pages from (3) to (18).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Reserve as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with the National Audit Office Law and the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). Our responsibilities under those standards are further described in the "Responsibilities of the National Audit Office for the audit of the financial statements section" of our report. The National Audit Office is independent of the Reserve in accordance with the ISSAIs Code of Ethics requirements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS standard, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the National Audit Office 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 it is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, 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 Reserve's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Reserve's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Reserve 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 the Board of Directors 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.

Ahmed bin Mohammed Al Khalifa
Auditor General
National Audit Office

25 June 2023

**Future Generation Reserve
Statement of Financial Position
As at 31 December 2022**

(Expressed in United States Dollars)				
		As at 31 December		As at 1 January
	Note	2022	2021 restated	2021 restated
<u>Assets</u>				
<u>Non-Current Assets</u>				
Financial assets measured at fair value through other comprehensive income (FVOCI)	3	11,525,287	11,800,616	11,938,188
Investment property	4	52,053,866	37,044,186	26,461,613
Total Non-Current Assets		63,579,153	48,844,802	38,399,801
<u>Current Assets</u>				
Financial assets measured at fair value through profit or loss (FVPL)	5	493,009,299	522,675,207	439,122,337
Receivables	6	7,653,361	9,212,719	4,040,567
Fixed deposits	7	-	6,000,000	13,000,000
Cash and cash equivalents	8	50,021,725	40,259,492	26,370,429
Total Current Assets		550,684,385	578,147,418	482,533,333
Total Assets		614,263,538	626,992,220	520,933,134
<u>Liabilities and Equity</u>				
<u>Current Liabilities</u>				
Accruals and other payables	9	5,270,099	1,496,456	807,586
Total Current Liabilities		5,270,099	1,496,456	807,586
<u>Equity</u>				
Accumulated funds	10	450,328,168	395,802,178	341,275,798
Retained earnings		160,428,882	231,181,868	180,200,460
Investment fair value reserve		(1,763,611)	(1,488,282)	(1,350,710)
Total Equity		608,993,439	625,495,764	520,125,548
Total Liabilities and Equity		614,263,538	626,992,220	520,933,134

Salman bin Khalifa Al Khalifa
Chairman

Ali bin Salman Al Khalifa
Chief Executive Officer

Future Generation Reserve
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

(Expressed in United States Dollars)			
	Note	2022	2021 (restated)
Change in fair value of financial assets measured at FVPL	5	(73,228,759)	49,994,535
Dividend income on investments	11	1,552,164	944,229
Interest income on deposits	12	1,023,390	523,635
Reimbursement of expenses by Ministry of Finance and National Economy (MOFNE)	13	5,540,273	6,803,037
General and administrative expenses	13	(5,540,273)	(6,803,037)
Loss on redemption of financial assets measured at FVPL	14	-	(572,056)
Foreign exchange (loss) / gain		(116,264)	94,098
Other income / (expenses)		16,483	(3,033)
Net (loss) / profit for the year		(70,752,986)	50,981,408
Other comprehensive loss			
Change in fair value of financial assets measured at FVOCI	3	(275,329)	(137,572)
Total other comprehensive loss		(275,329)	(137,572)
Total comprehensive (loss) / income for the year		(71,028,315)	50,843,836

Salman bin Khalifa Al Khalifa
Chairman

Ali bin Salman Al Khalifa
Chief Executive Officer

**Future Generation Reserve
Statement of Changes in Equity
For the year ended 31 December 2022**

(Expressed in United States Dollars)

	Accumulated funds	Retained earnings	Fair value reserve	Total
2022				
Opening balance at 1 January	395,802,178	231,181,868	(1,488,282)	625,495,764
Loss for the year	-	(70,752,986)	-	(70,752,986)
Other comprehensive loss	-	-	(275,329)	(275,329)
Contributions earned from oil sales	54,525,990	-	-	54,525,990
Closing balance at 31 December	450,328,168	160,428,882	(1,763,611)	608,993,439
2021				
Opening balance at 1 January	341,275,798	171,395,632	7,454,118	520,125,548
Adjustments	-	8,804,828	(8,804,828)	-
Opening balance at 1 January (restated)	341,275,798	180,200,460	(1,350,710)	520,125,548
Profit for the year	-	50,981,408	-	50,981,408
Other comprehensive loss	-	-	(137,572)	(137,572)
Contributions earned from oil sales	54,526,380	-	-	54,526,380
Closing balance at 31 December (restated)	395,802,178	231,181,868	(1,488,282)	625,495,764

Future Generation Reserve
Statement of Cash flows
For the year ended 31 December 2022

(Expressed in United States Dollars)			
	Note	2022	2021 (restated)
<u>Operating activities</u>			
(Loss) / Profit for the year		(70,752,986)	50,981,408
Change in fair value of financial assets measured at FVPL	5	73,228,759	(49,994,535)
Dividend income on investments	11	(1,552,164)	(944,229)
Interest income on fixed deposits	12	(1,023,390)	(523,635)
Reimbursement of management and custody fees	5	2,466,147	3,642,136
Net movement of accumulated gains on the disposal of financial assets measured at FVPL	5	-	1,698,433
Loss on redemption of financial assets measured at FVPL	5	-	572,056
Surplus before changes in operating activities		2,366,366	5,431,634
<u>Changes in working capital</u>			
Fixed deposits		6,000,000	7,000,000
Other receivables		1,028,710	(610,267)
Accruals and other payables		3,773,643	688,870
Cash flows from operating activities		13,168,719	12,510,237
Dividends received on investments		1,642,634	748,659
Interest received from fixed deposits		1,006,501	586,069
Acquisition of financial assets measured at FVPL	5	(46,867,801)	(57,330,679)
Disposal of financial assets measured at FVPL	5	838,803	17,859,719
Investment property additions	4	(15,009,680)	(10,582,573)
Net cash used in operating activities		(45,220,824)	(36,208,568)
<u>Financing activities</u>			
Contributions received from oil sales		54,983,057	50,097,631
Net cash generated from financing activities		54,983,057	50,097,631
 Net increase in cash and cash equivalents		 9,762,233	 13,889,063
Cash and cash equivalents at the beginning of the year	8	40,259,492	26,370,429
Cash and cash equivalents at the end of the year	8	50,021,725	40,259,492

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

1. Incorporation and Background Information

The Future Generation Reserve (the Reserve) was established, in accordance with Law No. (28) of 2006 promulgated on 17 July 2006, as a legal personality, having a financial and administrative independence. According to the mentioned law, the Reserve is funded through the contribution of (one) US dollar for every barrel of crude oil exported out of the Kingdom of Bahrain where the price of each barrel exceeds (40) US dollars. As per the first article of the above law, the contribution to the Reserve started as of 1st January 2007.

The Law No. (23) of 2020 regarding the use of part of the Reserve's funds was issued on the 13th July 2020. Article (1) of the law temporarily suspended the deduction from oil revenues allocated to the Reserve until the end of fiscal year 2020. In addition to deducting \$450 million from the Reserve's fund only once in accordance with article (2) of the same decree, to support the state budget during the remainder of fiscal year 2020, in order to reduce the emergency financial impacts of the emerging COVID-19 pandemic.

On the 18th April 2022, the Decree No. (16) of 2022 with respect to the amendment of Article (1) of Decree No. (28) of 2006 was promulgated to change the contribution from the oil revenue for the Reserve based on the prices level of the barrel of crude oil exported outside the Kingdom of Bahrain starting from 1 January 2023 as per the details mentioned in the decree.

The Reserve operates independently, and its objective is to invest funds for the future generation. The Reserve is governed by a Board of Directors comprising a Chairman (Minister of Finance and National Economy) and eight directors. The board was reappointed by Decree No. (85) of 2021, to include:

- Undersecretary of Financial Affairs at the Ministry of Finance and National Economy (Deputy Chairman).
- Chairman of Legislation and Legal Opinion Commission.
- Chief Executive Officer of Economic Development Board.
- Mr. Nader Kareem Al Maskati.
- Mr. Nabil Saleh Abdel-Aal*.
- Mrs. Najla Mohammad Al Shirawi.
- Mr. Ali Mousa Shafae.
- Mr. Abdullah Abdulrazzaq Bukhowa.

On 17th June 2021 Shaikh Ali bin Salman Al Khalifa was appointed as the Chief Executive Officer (CEO) of the Future Generations Reserves Council according to Decree No. (74) of 2021.

*In accordance with Decree No. (22) of 2023 he was appointed as a member of the Future Generations Reserve Board, in lieu of Mr. Tariq Ahmed Al-Samahiji.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

2. Significant accounting policies

2-1 Standards used in preparation of the financial statements

The financial statements of the Reserve have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as well as the requirements of the Law No. (28) of 2006 regarding the Future Generations Reserve Fund.

2-2 Basis of preparation

The financial statements have been prepared under the accrual basis, and historical cost convention, except for the measurement at fair value of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and investment property.

2-3 Functional and presentation currency

The financial statements are prepared and presented in United States Dollar (USD), which is the Reserve's functional and presentation currency. It is the currency that represents the primary economic environment in which the Reserve operates.

2-4 Investment property

Investment property include completed, under construction or redeveloped properties that are being held for rental yield or capital appreciation purposes or both. A property is classified as investment property when the definition of investment properties is met. Investment property is measured initially at its cost, including related transaction costs, the carrying amount also includes the cost of replacing part of the investment property at the time the cost was incurred if the evidentiary criteria is met. After initial recognition, investment property is carried at fair value which reflects active market prices at the date of the statement of financial position. Fair value changes are recognised in the statement of profit or loss and other comprehensive income of the incurred period. Fair value is evaluated annually by an independent external valuer by applying a model recommended by the International Valuation Standards Council.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the fair value of the investment property is recognised in the statement of profit or loss and other comprehensive income of the period in which the property is derecognised. Furthermore, a property is transferred from/to investment property when there is change in use. For a transfer from investment property to owner-occupied properties, the subsequent accounting cost is the fair value at the date of change in use. If owner-occupied properties are transferred to investment properties, the Reserve measures the properties based on investment properties policy till the date of change of use. The gain or loss on disposal of investment properties is determined as the difference between the net disposal proceeds and the fair value of the investment property in the financial statements for the entire prior period.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

2-5 Financial assets

Financial assets are classified in accordance with IFRS (9) into two categories, those measured at fair value (either through other comprehensive income or through profit or loss), and those measured at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses incurred are recorded in either the statement of profit or loss, or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. As for investments in equity instruments, this will depend on whether the Reserve's management chose at the time of initial recognition to account for the investment in equity at fair value through other comprehensive income. Investments in debt instruments can only be reclassified when changes in the business model occur. The reclassification is made at the beginning of the reporting period following the change.

At initial recognition, the Reserve measures a financial asset at its fair value plus (in the case of a financial asset not measured at fair value through profit or loss (FVTPL)) transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs related to financial assets measured at fair value through profit or loss are recognised as expenses in the statement of profit or loss.

Subsequent measurement of financial assets depends on the business model for managing the asset and the contractual terms of the cash flows, as follows:

- Amortised cost: a financial asset is measured at amortised cost if the asset is held to collect contractual cash flows (where those cash flows represent principal payments and income). Gains or losses are recognised in the statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised in the statement of profit or loss using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): financial assets are measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (where those cash flows represent principal payments and income). Changes in carrying amount are transferred through other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses are recognised in the statement of profit or loss. When the financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- Fair value through profit or loss (FVPL): financial assets are measured at fair value through profit or loss when they do not meet the criteria of financial assets measured at amortised cost or at fair value through other comprehensive income. Gains or losses on debt investments measured at fair value through profit or loss that are not part of the hedging relationship are included in the statement of profit or loss and presented in net in the profit or loss account under other profit/(loss) in the period in which they arise. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

Financial assets are derecognised when the contractual rights to receive the cash flows from the assets have expired or when the assets and all the risks and rewards of ownership rights have been transferred. Assets are assessed on a prospective basis for the expected credit losses associated with debt instrument assets measured at amortised cost and at fair value through other comprehensive income. The Reserve's management recognises such loss allowance at the date of each financial statement.

2-6 Receivables

Receivables are initially recognised at cost, minus the impairment provision. An impairment provision of receivables is recorded when there is objective evidence that the Reserve will not be able to collect all amounts in accordance with the original terms of the receivable.

2-7 Fixed deposits

Fixed deposits have maturity period ranging between 91 days up to 365 days from the date of deposit.

2-8 Cash and cash equivalent

Cash and cash equivalents comprise of cash on hand, balances with banks and short-term deposits with maturities not exceeding three months.

2-9 Accruals and other payables

Accruals and other payables are recognised when services are received, whether billed or not.

2-10 Revenues

Revenues are recorded on the accrual basis, regardless of when it will be collectable, unless collectability is in doubt.

2-11 Expenses

Expenses are recorded on the accrual basis, accrued expenses are recorded during the period incurred regardless of when they will be paid.

2-12 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions in the Reserve's books. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation of monetary items are included in the statement of profit or loss and other comprehensive income. Non-monetary items recorded in foreign currencies are translated using the exchange rates at the dates of the transactions. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rates at the date of when the fair value was determined.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

2-13 Going concern of the Reserve

The Reserve's Board of Directors assesses the Reserve's ability to continue as a going concern in accordance with Law No. (28) of 2006 and ensuring that the Reserve has the necessary resources for its future business continuity, by periodically reviewing and evaluating the financial position of the Reserve. Furthermore, the Reserve's liquidity is sufficient to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due in the short and long term. The financial statements have been prepared based on the going concern basis of accounting.

3. Financial assets measured at fair value through other comprehensive income (FVOCI)

(Expressed in United States Dollars)		
	As at 31 December	
	2022	2021 (restated)
Opening balance at 1 January	11,800,616	11,938,188
Change in fair value of financial assets measured at FVOCI	(275,329)	(137,572)
Closing Balance	11,525,287	11,800,616

The following table compares the cost and fair value of the investment as at 31 December 2022:

(Expressed in United States Dollars)			
	At fair value	At cost	Difference
Private equity	11,525,287	15,194,669	(3,669,382)
Total	11,525,287	15,194,669	(3,669,382)

4. Investment property

(Expressed in United States Dollars)		
	As at 31 December	
	2022	2021
Opening balance at 1 January	37,044,186	26,461,613
Capital expenditure incurred	15,009,680	10,582,573
Closing balance	52,053,866	37,044,186

His Majesty King Hamad bin Isa Al-Khalifa granted a freehold land to the Reserve in May 2014, its value was recorded based on the lowest value received from three independent external valuers on the date of land transfer, its market value was recorded in the Reserve's books in 2014 under "Property". In 2015, it has been decided by the Reserve's board of directors to utilize the land through building a tower for the purpose of investing and leasing,

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

therefore the land was reclassified to “Investment Property” and are re-evaluated annually. The fair value calculation falls under level 2 in the fair value hierarchy.

5. Financial assets measured at fair value through profit or loss (FVPL)

(Expressed in United States Dollars)

	December As at 31	
	2022	2021 (restated)
Opening balance at 1 January	522,675,207	439,122,337
Additions	46,867,801	57,330,679
Disposals	(838,803)	(17,859,719)
Change in fair value of financial assets measured at FVPL*	(73,228,759)	49,994,535
Net movement of accumulated gains on the disposal of financial assets measured at FVPL	-	(1,698,433)
Loss on redemption of financial assets measured at FVPL	-	(572,056)
Reimbursement of management and custody fees	(2,466,147)	(3,642,136)
Closing balance	493,009,299	522,675,207

*Unrealized change related to market fluctuation.

The following table compares the cost and fair value of each type of investment as at 31 December 2022:

(Expressed in United States Dollars)

	At fair value	At cost	Difference
Fixed income	175,280,410	155,951,333	19,329,077
Equity	121,352,157	95,022,400	26,329,757
Alternatives	158,324,642	147,964,127	10,360,515
Multi-Asset funds	38,052,090	38,141,306	(89,216)
Total	493,009,299	437,079,166	55,930,133

6. Receivables

(Expressed in United States Dollars)

	As at 31 December	
	2022	2021
Contribution Receivables	3,971,682	4,428,749
Management and custody fees receivables (Reimbursable expenses by MOFNE)	3,272,234	4,291,325
Accrued interest on deposits	17,289	400
Dividends receivables	392,156	482,626
Prepayments	-	9,619
Total	7,653,361	9,212,719

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

7. Fixed Deposits

Maturity Period	(Expressed in United States Dollars)	
	As at 31 December	
	2022	2021
3 to 6 Months	-	6,000,000
Total	-	6,000,000

8. Cash and cash equivalents

Currency	(Expressed in United States Dollars)	
	As at 31 December	
	2022	2021
United States Dollars	36,785,107	38,552,015
Great Britain Pounds	779,543	1,707,477
Bahraini Dinars	12,457,075	-
Total	50,021,725	40,259,492

9. Accruals and other payables

	(Expressed in United States Dollars)	
	As at 31 December	
	2022	2021
Construction payables*	4,464,317	1,035,476
Management & Custody Fees Payable	263,206	274,724
Other payables	542,576	186,256
Total	5,270,099	1,496,456

* Related to investment property

10. Accumulated Funds

According to Law No. (28) of 2006, the Reserve receives a contribution of (one) US Dollar for every barrel of crude oil exported out of the Kingdom of Bahrain where the price of each barrel exceeds (40) US dollars. These contributions are considered as equity contributions and are directly recognized in accumulated funds.

	(Expressed in United States Dollars)	
	As at 31 December	
	2022	2021
Opening balance at 1 January	395,802,178	341,275,798
Contributions earned for the year	54,525,990	54,526,380
Closing balance	450,328,168	395,802,178

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

11. Dividend income on investments

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2022	2021
Alternatives	1,552,164	944,229
Total	1,552,164	944,229

12. Interest income on deposits

Maturity Period	(Expressed United States Dollars)	
	For the year ended 31 December	
	2022	2021
Less than 3 months	851,432	499,568
From 3 to 6 months	171,958	24,067
Total	1,023,390	523,635

13. Reimbursement of General and administrative expenses by Ministry of Finance and National Economy

As per article (13) of Law No. (25) of 2008 general and administrative expenses incurred by the Reserve are reimbursed by the Ministry of Finance and National Economy. The total reimbursement received from Ministry of Finance and National Economy (MOFNE) for fiscal year ended 31 December 2022 was 5,540,273 USD. The breakdown of the Reserve's expenses for the year are as follows:

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2022	2021
Management and custody fees	3,790,376	5,179,436
Consulting fees	750,000	750,000
Staff expenses	566,539	524,694
Other general and administrative expenses	282,294	190,750
Director's remuneration	132,979	140,072
Auditing fees	18,085	18,085
Total	5,540,273	6,803,037

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

14. Loss on redemption of financial assets measured at FVPL

(Expressed in United States Dollars)		
	For the year ended 31 December	
	2022	2021
Fixed income	-	(572,056)
Losses on redemption of financial assets	-	(572,056)

Loss incurred on the redemption of financial assets measured at FVPL pertains to the loss of the investments during the financial year 2021 only, and they do not reflect the performance of the investments since their inception.

15. Fair value hierarchy

The Reserve uses the following hierarchy in determining and disclosing the fair value of financial instruments 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;

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

The following table sets out the fair value hierarchy of the Reserve's financial assets:

(Expressed in United States Dollars)			
	Level 1	Level 3	Total
As at 31 December 2022			
Financial assets measured at FVPL			
Fixed Income	175,280,410	-	175,280,410
Equity	121,352,157	-	121,352,157
Alternatives	82,883,836	75,440,806	158,324,642
Multi-Asset funds	38,052,090	-	38,052,090
Financial assets measured at FVOCI			
Private Equity	-	11,525,287	11,525,287

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2022

	(Expressed in United States Dollars)		
	Level 1	Level 3	Total
As at 31 December 2021			
Financial assets measured at FVPL			
Fixed Income	169,474,982	-	169,474,982
Equity	149,579,867	-	149,579,867
Alternatives	89,023,407	85,841,519	174,864,926
Multi-Asset funds	28,755,432	-	28,755,432
Financial assets measured at FVOCI			
Private Equity	-	11,800,616	11,800,616

There were no transfers between levels during the years 2022 and 2021.

16. Assets and liabilities and risk management

Assets and liabilities included in the Statement of Financial Position: includes financial assets measured at fair value through other comprehensive income, investment properties, financial assets measured at fair value through profit or loss, receivables, fixed deposits, cash and cash equivalent and accruals and other payables. Accounting policies relating to each item are disclosed in the notes associated with each item.

Interest rate risk: is the risks of change in the value of financial instruments as a result of market fluctuations in interest rates. Interest rates on Reserve deposits are calculated at the date of inception, so changes in interest rates correspond to the renewal of deposits upon maturity. Reserve assets and liabilities are not affected by interest rate risks.

Fair value measurement: is the amount at which any asset can be exchanged, or any obligation can be settled between two parties who are familiar with the details of the transaction on a commercial basis.

Liquidity risk: is the risk of the Reserve's inability to obtain the funds needed to meet obligations associated with financial assets and liabilities. Liquidity risk can result from Reserve's inability to sell its financial assets at the appropriate speed and at a value close to its fair value. Liquidity risk is managed by ensuring that sufficient cash is available on an ongoing basis to enable the Reserve to meet its future obligations when due.

Foreign exchange risk: is the risk of change in the value of assets and financial liabilities as a result of fluctuations in the exchange rate of foreign currencies, and differences resulting from exchange rate changes are recorded in the statement of profits, losses, and other comprehensive income.

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17. Financial commitments

Financial commitments represent amounts related to investment and other contracts that have been committed but not fully paid, the reserve's financial commitments are as follow:

	(Expressed in United States Dollars)	
	2022	2021
Alternatives	12,766,510	4,999,632
Investment property	38,902,215	53,135,271
Total	51,668,725	58,134,903

18. Restatement of financial statements

The Reserve has restated its financial statements for the year ended 31 December 2021 with respect to some of its financial assets measured at fair value through other comprehensive income in order to comply with the requirements of the classification of investments under IFRS 9, which requires the classification of these investments at fair value through profit or loss, and as a result the comparative figures have been restated to adjust the previous year's financial statements.

The following table sets out the impact on financial statement line items in the statement of financial position as at 1 January 2021:

	(Expressed in United States Dollars)		
	As at 1 January		
	2021	Adjustments	2021 (restated)
<u>Assets</u>			
<u>Non-Current Assets</u>			
Financial assets measured at FVOCI	106,564,722	(94,626,534)	11,938,188
Total Non-Current Assets	133,026,335	(94,626,534)	38,399,801
<u>Current Assets</u>			
Financial assets measured at FVPL	344,495,803	94,626,534	439,122,337
Total Current Assets	387,906,799	94,626,534	482,533,333
Total Assets	520,933,134	-	520,933,134
<u>Equity</u>			
Retained earnings	171,395,632	8,804,828	180,200,460
Investment fair value reserve	7,454,118	(8,804,828)	(1,350,710)
Total Equity	520,125,548	-	520,125,548
Total Liabilities and Equity	520,933,134	-	520,933,134

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The following table sets out the impact on financial statement line items in the statement of financial position as at 31 December 2021:

(Expressed in United States Dollars)			
	As at 31 December		
	2021	Adjustments	2021 (restated)
<u>Assets</u>			
<u>Non-Current Assets</u>			
Financial assets measured at FVOCI	113,872,302	(102,071,686)	11,800,616
Total Non-Current Assets	150,916,488	(102,071,686)	48,844,802
<u>Current Assets</u>			
Financial assets measured at FVPL	420,603,521	102,071,686	522,675,207
Total Current Assets	476,075,732	102,071,686	578,147,418
Total Assets	626,992,220	-	626,992,220
<u>Equity</u>			
Retained earnings	212,723,133	18,458,735	231,181,868
Investment fair value reserve	16,970,453	(18,458,735)	(1,488,282)
Total Equity	625,495,764	-	625,495,764
Total Liabilities and Equity	626,992,220	-	626,992,220

The following table sets out the impact on financial statement line items in the statement profit or loss and other comprehensive income for the year ended 31 December 2021:

(Expressed in United States Dollars)			
	2021	Adjustments	2021 (restated)
Change in fair value of financial assets measured at FVPL	40,340,628	9,653,907	49,994,535
Profit for the year	41,327,501	9,653,907	50,981,408
<u>Other comprehensive income</u>			
Change in fair value of financial assets measured at FVOCI	9,516,335	(9,653,907)	(137,572)
Total other comprehensive income / (loss)	9,516,335	(9,653,907)	(137,572)
Total comprehensive income for the year	50,843,836	-	50,843,836

19. Comparative Figures

Certain comparative figures have been reclassified to conform with current period's presentation.