

# **Al Mal Capital REIT**

**Condensed interim financial statements**  
**For the six-month period ended 30 June 2022**

# Al Mal Capital REIT

## Condensed interim financial statements

For the six-month period ended 30 June 2022

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## Review report on the condensed interim financial statements to the unitholders of Al Mal Capital REIT

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Mal Capital REIT (the "Fund") as at 30 June 2022 and the related condensed interim statements of profit or loss and other comprehensive income, changes in unitholders' equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

PricewaterhouseCoopers  
28 July 2022

A handwritten signature in blue ink, appearing to read 'Rami Serhan', with a horizontal line underneath.

Rami Serhan  
Registered Auditor Number 1152  
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Jacques Fakhoury, Douglas O'Mahony, Murdad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

# Al Mal Capital REIT

## Condensed interim statement of financial position

	Note	At 30 June 2022 AED'000	At 31 December 2021 AED'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	5	300,000	300,000
<b>Current assets</b>			
Receivables and other assets		1,043	420
Cash and cash equivalents	6	51,659	43,400
		<u>52,702</u>	<u>43,820</u>
<b>Total assets</b>		<b><u>352,702</u></b>	<b><u>343,820</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Unitholders' equity	7	350,064	350,064
Accumulated gains/(losses)		1,109	(8,036)
<b>Total unitholders' equity</b>		<b><u>351,173</u></b>	<b><u>342,028</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to a related party	8	1,088	1,085
Other payables		441	707
<b>Total liabilities</b>		<b><u>1,529</u></b>	<b><u>1,792</u></b>
<b>Total equity and liabilities</b>		<b><u>352,702</u></b>	<b><u>343,820</u></b>
Net asset value (AED'000)		351,173	342,028
Issued units (Units'000)		350,064	350,064
Net asset value per unit (AED)		1.00317	0.97704

To the best of our knowledge, the condensed interim financial statements are prepared in all material respects, in accordance with IAS 34.

These condensed interim financial statements were approved by the Board of Directors of Al Mal Capital PSC as the Fund Manager on 28 July 2022 and were signed on its behalf by:



Vice-Chairman & CEO



Chief Operating Officer

# Al Mal Capital REIT

## Condensed interim statement of profit or loss and other comprehensive income

	Note	Six-month period ended 30 June 2022 AED'000	For the period from 15 December 2020 to 30 June 2021 AED'000
<b>Income</b>			
Lease revenue		11,472	-
<b>Expense</b>			
General and administrative expenses	9	(2,434)	(2,562)
Finance income		107	678
<b>Profit / (loss) for the period</b>		<b>9,145</b>	<b>(1,884)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>9,145</b>	<b>(1,884)</b>
<b>Earnings per unit</b>			
Basic and diluted profit / (loss) per unit (AED)		0.026	(0.005)

# Al Mal Capital REIT

## Condensed interim statement of changes in unitholders' equity

	Note	Number of units '000	Unitholders' equity AED'000	Accumulated losses AED'000	Total AED'000
Issuance of units	7	350,064	350,064	-	350,064
Net loss and total comprehensive loss for the period		-	-	(1,884)	(1,884)
At 30 June 2021		<u>350,064</u>	<u>350,064</u>	<u>(1,884)</u>	<u>348,180</u>
At 1 January 2022		350,064	350,064	(8,036)	342,028
Net profit and total comprehensive income for the period		-	-	9,145	9,145
At 30 June 2022		<u>350,064</u>	<u>350,064</u>	<u>1,109</u>	<u>351,173</u>

# Al Mal Capital REIT

## Condensed interim statement of cash flows

		For the six- month period ended 30 June 2022	For the period from 15 December 2020 to 30 June 2021
	Note	AED'000	AED'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		9,145	(1,884)
Adjustment for:			
Finance income		(107)	(678)
<b>Operating cash flows before changes in working capital</b>		<u>9,038</u>	<u>(2,562)</u>
<b>Changes in working capital:</b>			
Receivables and other assets		(623)	(68)
Due to a related party		3	1,090
Other payables		(266)	155
<b>Net cash generated from / (used in) operating activities</b>		<u>8,152</u>	<u>(1,385)</u>
<b>Cash flows from investing activities</b>			
Finance income received		107	455
<b>Net cash generated from investing activities</b>		<u>107</u>	<u>455</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of units		-	350,064
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>350,064</u>
<b>Net increase in cash and cash equivalents</b>		<b>8,259</b>	<b>349,134</b>
Cash and cash equivalents at beginning of the period		43,400	-
<b>Cash and cash equivalents at the end of the period</b>	6	<u>51,659</u>	<u>349,134</u>

# Al Mal Capital REIT

## Notes to the condensed interim financial statements

for the six-month period ended 30 June 2022

### 1 Legal status and activities

Al Mal Capital REIT (the “Fund”) is a public closed ended real estate investment fund. The Fund was incorporated in the United Arab Emirates on 15 December 2020 for a period of 99 years pursuant to the provisions of the Emirates Securities and Commodities Authority (“SCA”) Board of Directors’ Chairman Decision No. 9/R.M of 2016 Concerning the Regulations as to Investment Funds (“Fund Regulations”) and the SCA Administrative Decision No. 6/RT of 2019 Concerning Real Estate Investment Fund Controls (the “REIT Regulations”).

The Fund is listed and traded on the Dubai Financial Market (the “DFM”) and is primarily involved in investing in income generating real estate assets, including real estate of educational facilities, health facilities, and industrial assets across the United Arab Emirates (“UAE”) and the Gulf Cooperation Council (“GCC”), thereby providing Unitholders with an attractive annual return through dividend distribution. The Fund is mandatorily required as per the REIT Regulations to distribute 80% of its annual realised net profit to the Unitholders, payable annually.

Al Mal Capital PSC is the fund manager (the “Fund Manager”) that manages the Fund’s investments. The Fund Manager is a Private Stockholding Company incorporated in the United Arab Emirates. The Fund Manager is a subsidiary of Dubai Investment PJSC, a company listed on the Dubai Financial Market (the “DFM”).

Dubai Investments PJSC is the ultimate parent and the controlling party of Al Mal Capital REIT and has an effective holding of 77.16% of the Fund’s units.

The registered address of the Company is P.O. Box 119930, Dubai, UAE.

### 2 Basis of preparation and significant accounting policies

This condensed interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the *Fund manager’s report and financial statements for the period from 15 December 2020 to 31 December 2021*.

During the period the prospectus was amended to change the interim reporting from quarterly to half yearly reporting effective from current financial year.

The accounting policies adopted are consistent with those described in the *Fund manager’s report and financial statements for the period from 15 December 2020 to 31 December 2021*.

#### **New and amended accounting standards**

There were no new standards or amendments to standards that had an effect on these interim condensed financial statements.



# Al Mal Capital REIT

## Notes to the condensed interim financial statements (continued)

for the six-month period ended 30 June 2022

### 3 Financial risk management

#### 3.1 Financial risk factors

The Fund's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

(a) *Market risk*

(i) *Foreign exchange risk*

The Fund does not have any significant exposure to foreign currency risk since majority of the transactions are denominated in AED, US Dollar or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

(ii) *Price risk*

The Fund has no significant exposure to price risk as it does not hold any listed equity securities or commodities.

(iii) *Cash flows interest rate risk*

The financial assets exposed to interest rate fluctuations is short term deposits, The Fund Manager's treasury ensures that deposits are maintained at the best prevailing market rate at the time of maintaining each deposit.

There is no material impact to profit or loss due to the sensitivity in interest rate changes. If the interest rates have been 50 basis points higher or lower and all other variables were held constant, the Fund's loss for the period would decrease or increase by Nil (2021:AED 3 thousand).

(b) *Credit risk*

Counterparties ( <i>Moody's rating</i> ) Rating	30 June 2022	At 31 December
	AED'000	2021 AED'000
A1	41,645	6,291
A2	10,014	-
A3	-	37,109
	<u>51,659</u>	<u>43,400</u>

Credit risk from balances with banks and other financial institutions is managed by the Fund Manager by investing surplus funds only with approved and reputable counterparties.

As at 30 June 2022, cash and bank balance with one bank accounted for 81% of the cash and bank balances of the Fund. The Fund Manager is of the view that this concentration of credit risk would not result in a loss to the Fund as the counterparty bank has a high credit rating.

# Al Mal Capital REIT

## Notes to the condensed interim financial statements (continued)

*for the six-month period ended 30 June 2022*

### **3 Financial risk management** (continued)

#### **3.1 Financial risk factors** (continued)

##### *(c) Liquidity risk*

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Fund aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund aims to maintain the level of cash and cash equivalents and other liquid investments at an amount in excess of expected cash outflows on financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### **3.2 Capital risk management**

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern whilst seeking to maximise benefits to Unitholders. The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Fund Manager focuses on the return on capital, which is defined as profit for the year attributable to equity holders of the Fund divided by total unitholders' equity.

The Fund Manager seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

At 30 June 2022, the Fund is un-gearred as it does not carry any short or long term debt.

#### **3.3 Fair value estimation**

The carrying value of financial assets and financial liabilities of the Fund approximates their fair value as at 30 June 2022.

### **4 Use of estimates and judgments**

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

The significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the funds financial statements as at and for the year ended 31 December 2021.

# Al Mal Capital REIT

## Notes to the condensed interim financial statements (continued)

for the six-month period ended 30 June 2022

### 5 Investment properties

Investment properties comprise of two schools Al Shola Private School and Al Shola American Private School (the “Properties”). These were acquired as part of sale and lease back transactions (the “Transactions”) entered into on 21 November 2021. Upon acquisition of control, the school campuses were leased back to the operator on an operating lease for 15 years on a triple net basis for management and operation. The lease is renewable subject to mutual agreement.

Lease revenue of AED 11.5 million has been recognised during the period.

#### Valuation processes

The properties were valued at 30 June 2022 by an independent registered valuer at AED 300 million (2021: AED 300 million) (CBRE Dubai LLC) in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors taking into account requirements of IFRS 13 ‘Fair value measurements’. For all investment properties, their current use equates to the highest and best use. Senior management review the valuations performed by the independent valuers for financial reporting purposes.

#### Valuation techniques underlying the Fund Manager’s estimation of fair value:

The valuation was determined using the investment method (term and reversion), which derives value from the capitalisation of a property’s net income.

Significant unobservable inputs:

Equivalent yield

The current net rent (term) is capitalised at a yield of 7.01% that reflects the risk profile of the rent until expiration of the lease and is discounted to present value. Upon lease expiration, it is assumed that the rent receivable will revert to market rent (reversion), which is then capitalised into perpetuity at a yield of 8.01% that reflects the risk, return and growth expectation of the future income. This results in an equivalent yield of 7.60% for the property.

### 6 Cash and cash equivalents

For the purposes of the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2022 AED’000	At 31 December 2021 AED’000
Cash at bank	51,659	43,400

At 30 June 2022, bank balances were placed with a local bank and a branch of an international bank.

# Al Mal Capital REIT

## Notes to the condensed interim financial statements (continued)

for the six-month period ended 30 June 2022

### 7 Unitholders' equity

Unitholders' equity comprises of 350,064,000 units of AED 1 each.

### 8 Related party transactions and balances

Related parties comprise of the ultimate parent company, the Fund Manager and key management personnel and businesses which are controlled directly or indirectly, by the ultimate parent company, the Fund Manager or key management personnel. The aggregate value of significant transactions with related parties during the period was as follows:

#### Related party transactions

	For the six-month period ended 30 June 2022 AED'000	For the period from 15 December 2020 to 30 June 2021 AED'000
Management fees* - the Fund Manager (Note 9)	2,161	2,314
Expense recharged	-	8
Subscription fee paid (inclusive of VAT)**	-	7,001

\*The annual management fees is calculated at 1.25% of the net asset value of the Fund.

\*\*Subscription fee paid represents the amount collected from the unitholders on behalf of the Fund Manager in line with the prospectus.

On the date of incorporation of the Fund, the following related parties subscribed to the Fund's units:

	AED'000
Subscriptions made by the ultimate parent company	242,000
Subscriptions made by key management personnel and their relatives	56,050
Subscriptions made by the Fund Manager	40,050
Subscriptions made by other related parties	2,000
	<u>340,100</u>

#### Related party balances

	30 June 2022 AED'000	At 31 December 2021 AED'000
Due to a related party – the Fund Manager	1,088	1,085

# Al Mal Capital REIT

## Notes to the condensed interim financial statements (continued)

for the six-month period ended 30 June 2022

### 9 General and administrative expenses

	For the six-month period ended 30 June 2022 AED'000	For the period from 15 December 2020 to 30 June 2021 AED'000
Management fees (Note 8)	2,161	2,314
Professional fees	178	-
Administration fees	66	-
Other expenses	29	248
	<u>2,434</u>	<u>2,562</u>

### 10 Financial instruments by category

	30 June 2022 AED'000	At 31 December 2021 AED'000
<i>At amortised cost</i>		
<b>Financial assets</b>		
Receivables and other assets	840	155
Cash and cash equivalents	51,659	43,400
	<u>52,499</u>	<u>43,555</u>
<i>At amortised cost</i>		
<b>Financial liabilities</b>		
Due to a related party	1,088	1,085
Other payables	284	707
	<u>1,372</u>	<u>1,792</u>