

Al Mal Capital REIT

Condensed interim financial statements
For the period from 15 December 2020 to 30 June 2021

Al Mal Capital REIT

Condensed interim financial statements

For the period from 15 December 2020 to 30 June 2021

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Review report on 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 2021 and the related condensed interim statement of profit or loss and other comprehensive income for the three-month period then ended and for the period from 15 December 2020 to 30 June 2021 and the condensed interim statements of changes in unitholders' equity and cash flows for the period from 15 December 2020 to 30 June 2021 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
15 July 2021

A handwritten signature in blue ink that reads 'Douglas O'Mahony'.

Douglas O'Mahony
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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony, Murad 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 2021 AED'000
Assets		
Current assets		
Receivables and other assets		291
Cash and cash equivalents	5	<u>349,134</u>
Total assets		<u>349,425</u>
Equity		
Unitholders' equity	6	350,064
Accumulated losses		<u>(1,884)</u>
Total unitholders' equity		<u>348,180</u>
Liabilities		
Current liabilities		
Due to a related party	7	1,090
Other payables		<u>155</u>
Total liabilities		<u>1,245</u>
Total equity and liabilities		<u>349,425</u>
Net asset value (AED'000)		348,180
Issued units (Units'000)		350,064
Net asset value per unit (AED)		0.9946

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 15 July 2021 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	Three-month period ended 30 June 2021 AED'000	For the period from 15 December 2020 to 30 June 2021 AED'000
General and administrative expenses	8	(1,215)	(2,562)
Finance income		320	678
Loss for the period		(895)	(1,884)
Other comprehensive income		-	-
Total comprehensive loss for the period		(895)	(1,884)
Earnings per unit			
Basic and diluted loss per unit (AED)		(0.003)	(0.005)

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Condensed interim statement of changes in unitholders' equity

For the period from 15 December 2020 to 30 June 2021

	Note	Number of units '000	Unitholders' equity AED'000	Accumulated losses AED'000	Total AED'000
Issuance of units	6	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>

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Condensed interim statement of cash flows

		For the period from 15 December 2020 to 30 June 2021
	Note	AED'000
Cash flows from operating activities		
Loss for the period		(1,884)
Adjustment for:		
Finance income		(678)
Operating cash flows before changes in working capital		<u>(2,562)</u>
Changes in working capital:		
Receivables and other assets		(68)
Due to a related party		1,090
Other payables		155
Net cash used in operating activities		<u>(1,385)</u>
Cash flows from investing activities		
Finance income received		455
Net cash generated from investing activities		<u>455</u>
Cash flows from financing activities		
Proceeds from issuance of units*		350,064
Net cash generated from financing activities		<u>350,064</u>
Net increase in cash and cash equivalents		349,134
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at 30 June 2021	5	<u><u>349,134</u></u>

*On behalf of the Fund Manager, the Fund collected subscription fees inclusive of VAT amounting to AED 7,001,280 from the unitholders and transferred the same to the Fund Manager (Note 7).

The notes on pages 6 to 14 are an integral part of these condensed interim financial statements.

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Notes to the condensed interim financial statements

for the period from 15 December 2020 to 30 June 2021

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 76.8% of the Fund’s units.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below.

2.1 Basis of preparation

The condensed interim financial statements for the period from 15 December 2020 to 30 June 2021 have been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* issued by International Accounting Standard Board (“IASB”). The preparation of the condensed interim financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The area involving a higher degree of judgment or complexity, or the area where the assumption and estimate is significant to the condensed interim financial statements is disclosed in Note 4.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

2 Summary of significant accounting policies (continued)

2.2 Foreign currencies translation

(a) Functional and presentation currency

These condensed interim financial statements are presented in United Arab Emirate Dirham (“AED”), which is the Fund’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the condensed interim statement of comprehensive income.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

2.4 Financial assets

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Fund’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

(i) Classification and measurement (continued)

Classification of financial assets at amortised cost

The Fund classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) represents receivables where the contractual cash flows are solely payments of principal and interest and the objective of the Fund's business model is achieved both by collecting contractual cash flows and selling financial assets.

Following are the Fund's financial assets carried at amortised cost:

- Cash and cash equivalents: Cash and cash equivalents include balances in current accounts and short-term deposits held with banks.
- Other receivables: Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, being the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the condensed interim statement of profit or loss and other comprehensive income.

The fair values of financial assets approximate their carrying values as the impact of discounting is not significant.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

(iv) Impairment of financial assets

The Fund has the following significant types of financial assets that are subject to IFRS 9 expected credit loss (ECL) model

- Cash and cash equivalents; and
- Other receivables.

Financial assets are written-off, in whole or in part, when the Fund has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Fund monitors all financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Fund measures the loss allowance based on lifetime expected credit loss model.

In assessing whether the credit risk on the condensed interim financial statements has increased significantly since initial recognition, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information.

2.5 Cash and cash equivalents

Cash and cash equivalents include short term deposits and cash held with banks.

2.6 Unitholders' equity

The Fund has a limited life of 99 years from the date of establishment and being a closed ended fund, the Unitholders can trade these units on the DFM but do not have the right to withdraw or redeem their units. In accordance with the REIT regulations the Fund is required to distribute to Unitholders not less than 80% of its annual realised net profit. Given the obligation to pay the 80% dividend arises from the REIT regulations i.e. a statutory obligation, the Unitholders' funds are therefore classified as equity. Distributions to Unitholders are recognised in the condensed interim statement of changes in unitholders' equity.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

2 Summary of significant accounting policies (continued)

2.7 Finance income

Finance income is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents.

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 AED 3 thousand.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

3 Financial risk management(continued)

(b) Credit risk

	At 30 June
Counterparties (Moody's rating)	2021
Rating	AED'000
A1	8,703
A3	340,431
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	349,134
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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 2021, cash and bank balance with one bank accounted for 97% 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.

(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 2021, 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 2021.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

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. The areas involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the condensed interim financial statements is disclosed below:

Classification of unitholders contributions as equity

In terms of the requirements of IFRS, the units need to be assessed to determine whether these should be classified as equity or financial liabilities in the condensed interim financial statements. In performing the assessment, consideration needs to be given to the terms of the REIT regulations which require distribution of 80% of its annual realised net profit to the unitholders annually. In certain instances, this may give rise to a financial liability under IAS 32: Financial Instruments - Presentation (“IAS 32”) and would result in the units being classified as financial liabilities. A financial liability arises from the existence of a contractual obligation of one party to the financial instrument (Al Mal Capital REIT) to deliver cash or another financial asset to the other party (the Unitholder). However, IAS 32 would not consider statutory/legal obligations in performing the assessment under IAS 32. Obligations established by local law or statute, is an obligation as a result of the operation of law and does not create a contractual obligation as required by the definition of a financial liability.

In performing the assessment of the requirement to distribute profits each year, management applied judgement and considered that the requirement to distribute profits is a legal/statutory obligation.

5 Cash and cash equivalents

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

	At 30 June 2021 AED'000
Cash at bank	8,712
Short term deposits having maturity of less than 3 months	340,422
	<u>349,134</u>

At 30 June 2021, bank balances were placed with a local bank and a branch of an international bank.

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

6 Unitholders' equity

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

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

*The 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

	At 30 June 2021 AED'000
Due to a related party – the Fund Manager	<u>1,090</u>

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Notes to the condensed interim financial statements (continued)

for the period from 15 December 2020 to 30 June 2021

8 General and administrative expenses

For the period from
15 December 2020
to 30 June 2021
AED'000

Management fees (Note 7)	2,314
Other expenses	248
	<hr/>
	2,562
	<hr/>

9 Financial instruments by category

At 30 June
2021
AED'000

At amortised cost

Financial assets

Receivables and other assets (excluding VAT receivable)	223
Cash and cash equivalents	349,134
	<hr/>
	349,357
	<hr/>

At amortised cost

Financial liabilities

Due to a related party	1,090
Other payables	155
	<hr/>
	1,245
	<hr/>