

Al Mal Capital REIT and its subsidiary

Condensed consolidated interim financial statements
for the six-month period ended 30 June 2024

Al Mal Capital REIT and its subsidiary

Condensed consolidated interim financial statements

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Unitholders of Al Mal Capital REIT

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Mal Capital REIT (the "Fund") and its subsidiary (collectively referred to as "the Group") as at 30 June 2024, the condensed consolidated 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 notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Other Matter

The financial statements of the Fund as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 February 2024. Furthermore, the condensed interim financial statements of the Fund as at and for the six-month period ended 30 June 2023 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 28 July 2023.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements 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.



Al Mai Capital REIT
*Independent Auditors' Report on Review of
Condensed Consolidated Interim Financial Statements
30 June 2024*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2024 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: **12 AUG 2024**

Al Mal Capital REIT and its subsidiary

Condensed consolidated interim statement of financial position

		At 30 June 2024 AED'000 (Unaudited)	At 31 December 2023 AED'000 (Audited)
Assets	Note		
Non-current assets			
Investment properties	5	989,000	578,000
Current assets			
Receivables and other assets		8,575	3,485
Short term deposits	6	26,816	22,562
Cash and cash equivalents	6	28,097	19,990
		<u>63,488</u>	<u>46,037</u>
Total assets		<u>1,052,488</u>	<u>624,037</u>
Equity and liabilities			
Equity			
Unitholders' capital	7	513,890	350,064
Securities premium	7	16,383	-
Retained earnings		40,090	15,795
Total unitholders' equity		<u>570,363</u>	<u>365,859</u>
Liabilities			
Non-current liabilities			
Bank borrowings	8	471,089	242,417
Current liabilities			
Due to related parties	9	-	3
Payables and other liabilities	10	11,036	15,758
		<u>11,036</u>	<u>15,761</u>
Total liabilities		<u>482,125</u>	<u>258,178</u>
Total equity and liabilities		<u>1,052,488</u>	<u>624,037</u>
Net asset value (AED'000)		570,363	365,859
Issued units (Units'000)		513,890	350,064
Net asset value per unit (AED)		1.10989	1.04512

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

These condensed consolidated interim financial statements were approved by the Board of Directors of Al Mal Capital PSC as the Fund Manager on 12 August 2024 and were signed on its behalf by:


Vice-Chairman & CEO


Chief Operating Officer

Al Mal Capital REIT and its subsidiary

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

		Six-month period ended 30 June	
	Note	2024	2023
		AED'000	AED'000
		(Unaudited)	(Unaudited)
Income			
Lease revenue	5	24,934	21,206
Less: property operating expenses		(607)	(397)
Net property income		24,327	20,809
Other income		3,901	-
Net income		28,228	20,809
Expenses			
Management fees	9	(2,839)	(2,223)
Other expenses		(489)	(361)
Total expenses		(3,328)	(2,584)
Operating profit for the period		24,900	18,225
Finance income/(costs)			
Finance income		2,475	958
Finance costs		(10,388)	(6,879)
Net finance costs		(7,913)	(5,921)
Profit before revaluation of investment properties		16,987	12,304
Net unrealised gain on revaluation	5	20,451	9,793
Profit for the period		37,438	22,097
Other comprehensive income		-	-
Total comprehensive income for the period		37,438	22,097
Earnings per unit			
Basic and diluted profit per unit (AED)		0.073	0.063

Al Mal Capital REIT and its subsidiary

Condensed consolidated interim statement of changes in unitholders' equity

	Note	Number of units '000	Unitholders' capital AED'000	Securities premium AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2023 - Audited	7	350,064	350,064	-	3,139	353,203
Profit for the period		-	-	-	22,097	22,097
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	22,097	22,097
Dividends distribution	11	-	-	-	(9,627)	(9,627)
At 30 June 2023 - Unaudited		350,064	350,064	-	15,609	365,673
At 1 January 2024 - Audited	7	350,064	350,064	-	15,795	365,859
Rights issued capital	7	163,826	163,826	-	-	163,826
Securities premium	7	-	-	16,383	-	16,383
Profit for the period		-	-	-	37,438	37,438
Transaction costs on rights issue of shares		-	-	-	(891)	(891)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	37,438	37,438
Dividends distribution	11	-	-	-	(12,252)	(12,252)
At 30 June 2024 - Unaudited		513,890	513,890	16,383	40,090	570,363

Al Mal Capital REIT and its subsidiary

Condensed consolidated interim statement of cash flows

	Note	Six-month period ended 30 June	
		2024 AED'000 (Unaudited)	2023 AED'000 (Unaudited)
Cash flows from operating activities			
Profit for the period		37,438	22,097
Adjustments for:			
Unrealised gain on revaluation of investment properties	5	(20,451)	(9,793)
Finance income		(2,475)	(958)
Finance costs		10,388	6,879
Operating cash flows before changes in working capital		<u>24,900</u>	<u>18,225</u>
Changes in working capital:			
Change in receivables and other assets		(5,090)	(631)
Change in due to a related party		(3)	(1,400)
Change in payables and other liabilities		(4,722)	21,323
Net cash inflow from operating activities		<u>15,085</u>	<u>37,517</u>
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(163,549)	-
Purchase of investment property	5	-	(267,207)
Bank deposits		(4,254)	-
Finance income received		2,475	958
Net cash outflow from investing activities		<u>(165,328)</u>	<u>(266,249)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	8	-	140,000
Proceeds from loan due to a related party		-	105,000
Finance costs paid		(8,716)	(3,269)
Proceeds from rights issue		179,318	-
Dividends paid to unitholders	11	(12,252)	(9,627)
Net cash inflow from financing activities		<u>158,350</u>	<u>232,104</u>
Net increase in cash and cash equivalents		<u>8,107</u>	<u>3,372</u>
Cash and cash equivalents at beginning of the period	6	<u>19,990</u>	<u>48,702</u>
Cash and cash equivalents at the end of the period	6	<u>28,097</u>	<u>52,074</u>

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2024

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 (Currently, 01/RM of 2023) 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 condensed consolidated interim financial statements for the six-month period ended 30 June 2024 comprise the Fund, and its fully owned subsidiary Carnation Education LLC acquired on 27th June 2024 (collectively referred to as the “Group”).

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 DFM.

Dubai Investments PJSC is the ultimate parent and the controlling party of the Group and has an effective holding of 76.29% of the Fund’s units.

The registered address of the Fund and the Fund Manager is P.O. Box 119930, Dubai, UAE.

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new CT regime in the UAE. The new CT regime became effective for accounting periods beginning on or after 1 June 2023.

The Group has assessed the applicability of the exemption available for a Qualifying Investment Fund under Article 10 and Article 4(1)(h) of the CT Law for the Fund and its wholly owned subsidiary and has noted all the criteria for the exemption are met. Accordingly, there is no potential current or deferred tax impact for the period ended 30 June 2024. The Group will apply for a formal exemption from Federal Tax Authority (“FTA”) once the process for issuing exemptions is initiated. Further the Group will continue to assess the expected impact and continue to evaluate its interpretation in light of the Decisions and related guidance.

2 Basis of preparation

These condensed consolidated interim financial statements for the six-month period ended 30 June 2024 have been prepared in accordance with the International Accounting Standard (“IAS”) 34, Interim Financial Reporting issued by International Accounting Standard Board (“IASB”). The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the *Fund manager’s report and financial statements for the year ended 31 December 2023*. In addition, results for the period from 1 January 2024 to 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)* for the six-month period ended 30 June 2024

2 Basis of preparation *(continued)*

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those described in the *Fund manager's report and financial statements for the year ended 31 December 2023*, except for the below;

(a) New and amended standards adopted by the Group

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these interim condensed consolidated financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

(b) Impact of standards issued but not yet applied by the Group

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and early adoption is permitted. Management anticipates that these amendments will be adopted in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by the management.

- Presentation and Disclosure in Financial Statements – (IFRS 18)
- Lack of Exchangeability – (Amendments to IAS 21)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendments to IFRS 10 and IAS 28)

(c) Basis of consolidation - Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements (*continued*)
for the six-month period ended 30 June 2024

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(a) Market risk (*continued*)

(ii) Price risk (*continued*)

The Group has no significant exposure to price risk as it does not hold any financial instruments which are sensitive to price risk.

(iii) Cash flow and fair value interest rate risk

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

Cash flow sensitivity analysis for variable rate instruments

The profit or loss is impacted by the sensitivity in interest rate changes. If the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the period would decrease or increase by AED 2.4 million (2023: AED 1.2 million).

(b) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 June 2024 AED'000	At 31 December 2023 AED'000
Cash and cash equivalents		
Rating		
A1 (<i>Moody's rating</i>)	20,770	2,934
A2 (<i>Moody's rating</i>)	47	14,818
A3 (<i>Moody's rating</i>)	-	2,097
BBB+ (<i>Fitch's rating</i>)	7,224	141
A- (<i>Fitch's rating</i>)	56	-
	28,097	19,990
Short term deposits		
Rating		
A3 (<i>Moody's rating</i>)	-	20,000
A- (<i>Fitch's rating</i>)	20,000	-
BBB+ (<i>Fitch's rating</i>)	6,816	2,562
	26,816	22,562

Credit risk from balances with banks and other financial institutions is managed by the Fund Manager by maintaining funds with only approved and reputable counterparties with investment grade credit rating.

Liquidity risk is the risk that the Group 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.

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the six-month period ended 30 June 2024

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk (continued)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, ensuring 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

30 June 2024	Within 1 year AED'000	1 -5 years AED'000	Above 5years AED'000	Total AED'000
Non-derivative financial liabilities				
Bank borrowings	31,096	418,711	166,938	616,745
Due to related parties	-	-	-	-
Payables and other liabilities	1,179	-	-	1,179
	<u>32,275</u>	<u>418,711</u>	<u>166,938</u>	<u>617,924</u>
31 December 2023				
Non-derivative financial liabilities				
Bank borrowings	17,488	277,845	-	295,333
Due to related parties	3	-	-	3
Payables and other liabilities	642	-	-	642
	<u>18,133</u>	<u>277,845</u>	<u>-</u>	<u>295,978</u>

3.2 Capital risk management

The Group'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.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities measured at amortised cost at 30 June 2024 and 31 December 2023 are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the financial assets and liabilities are short-term in nature.

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements (*continued*)
for the six-month period ended 30 June 2024

4 Use of estimates and judgments

The preparation of condensed consolidated 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 Group's financial statements as at and for the year ended 31 December 2023.

5 Investment properties

	30 June 2024 AED'000	At 31 December 2023 AED'000
Opening balance	578,000	301,000
Additions to investment properties during the period*	390,549	267,207
Gain on fair valuation	20,451	9,793
Closing balance	<u>989,000</u>	<u>578,000</u>

Lease revenue of AED 24.9 million has been recognised during the period (2023: AED 21.2 million).

*On 27 June 2024 the Fund acquired 100% equity interest in a Company which primarily holds real estate assets comprising the freehold land and buildings with a total plot area of 563,950 square feet and a built-up area of 334,170 square feet and a corresponding mortgage. The Company has leased the land and buildings to an educational institution for a 25-year period (initially commenced in November 2017) with agreed lease rentals.

Valuation processes

The properties were valued at 30 June 2024 by an independent registered valuer 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 Measurement'. 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.

6 Short term deposits and Cash and cash equivalents

	30 June 2024 AED'000	At 31 December 2023 AED'000
Short term deposits		
Deposits with bank under lien (more than 3 months maturity)	20,000	20,000
Other deposit under lien	6,816	2,562
	<u>26,816</u>	<u>22,562</u>

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the six-month period ended 30 June 2024

6 Short term deposits and Cash and cash equivalents *(continued)*

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

	30 June 2024 AED'000	At 31 December 2023 AED'000
Cash with banks	28,097	5,349
Deposits with banks (less than 3 months maturity)	-	14,641
	<u>28,097</u>	<u>19,990</u>

7 Unitholders' capital and Securities premium

Unitholders' capital comprises of 513,890 thousand units of AED 1 each as at 30 June 2024 (2023: 350,064 thousand units of AED 1 each). On 17 April 2024, the Fund allotted 163,826 thousand units of AED 1 each at a premium of AED 0.1 fils per unit aggregating to AED 180.2 million pursuant to a Rights issue.

8 Bank borrowings

	30 June 2024 AED'000	At 31 December 2023 AED'000
Opening balance	242,417	-
Islamic financing received	-	245,000
Islamic finance transferred*	227,000	-
Transaction costs on financing	-	(5,987)
Net interest accrued	783	2,348
Amortisation of transaction cost	889	1,056
Closing balance	<u>471,089</u>	<u>242,417</u>

Bank borrowings include two Islamic financing facilities (Corporate Ijara) amounting to AED 140 million and AED 105 million for a term of 5 years (inclusive of moratorium period of 2.5 years) and 3 years (inclusive of moratorium period of 3 years) respectively with a profit rate ranging from 1 to 3-months EIBOR plus a fixed margin rate. These facilities are secured by first degree mortgage against the investment properties, assignment of lease proceeds and insurance on the investment properties.

*Additional borrowings during the year represent the Islamic financing facilities (Ijara) amounting to AED 227 million for a term of 10 years (inclusive of moratorium period of 2 years) with a profit rate of 3-months EIBOR plus a fixed margin rate of the subsidiary acquired during the period.

9 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:

Al Mal Capital REIT and its subsidiary

Notes to the condensed consolidated interim financial statements *(continued)*
for the six-month period ended 30 June 2024

9 Related party transactions and balances *(continued)*

Related party transactions

	For the six-month period ended	
	30 June 2024	30 June 2023
	AED'000	AED'000
Transactions with Fund Manager		
Management fees	2,839	2,223
Asset acquisition fee capitalised in investment properties	3,950	2,650
Transactions with Ultimate Parent Company		
Finance costs	-	2,825

As per the prospectus and the fund management agreement, the Fund Manager is entitled to the following:

- Management fees: yearly management fees of 1.25% based on the last reported NAV, calculated and paid every three months.
- Acquisition or disposition fee: 1% of the acquisition or disposition value of the assets acquired or disposed by the Fund.
- Arrangement advisory fee: 1% of the debt or loan value for advising on loan and debt arrangements.

In all cases, the annual fees (the total of the above three fees) during the fiscal year shall not exceed 2.25% of the last reported NAV of the Fund calculated in the same fiscal year and before deduction of management fees.

Related party balances

	30 June 2024	At 31 December 2023
	AED'000	AED'000
Due to related parties		
Fund Manager	-	3

10 Payables and other liabilities

	30 June 2024	At 31 December 2023
	AED'000	AED'000
Unearned rental income	8,523	14,876
Accrued expenses	1,179	642
Other payables	1,334	240
	<u>11,036</u>	<u>15,758</u>

11 Dividend

The Fund manager declared and paid final dividend of AED 0.0350 per unit (2023: AED 0.0275 per unit) amounting to AED 12.25 million (2023: AED 9.63 million) for the financial year 2023 on 14 March 2024, which together with the interim dividend paid in financial year 2023 represents 99% (2023: 97%) of the Fund's annual realised profit for the financial year 2023.

The above dividend distribution complies with the minimum profit distribution requirements of the REIT regulations.