AL MAL reit

Managed by Al Mal Capital PSC

ANNUAL REPORT 2022

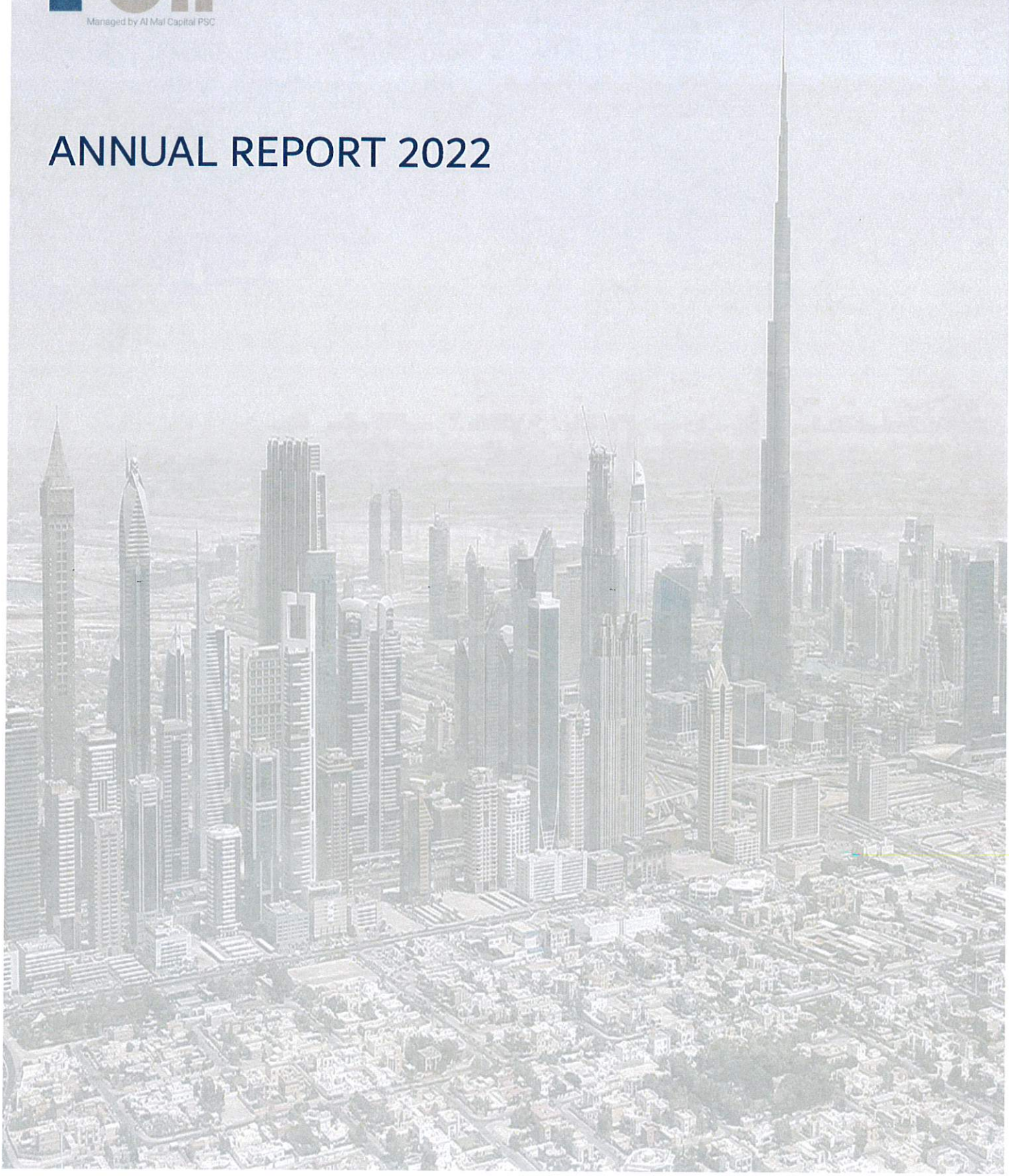


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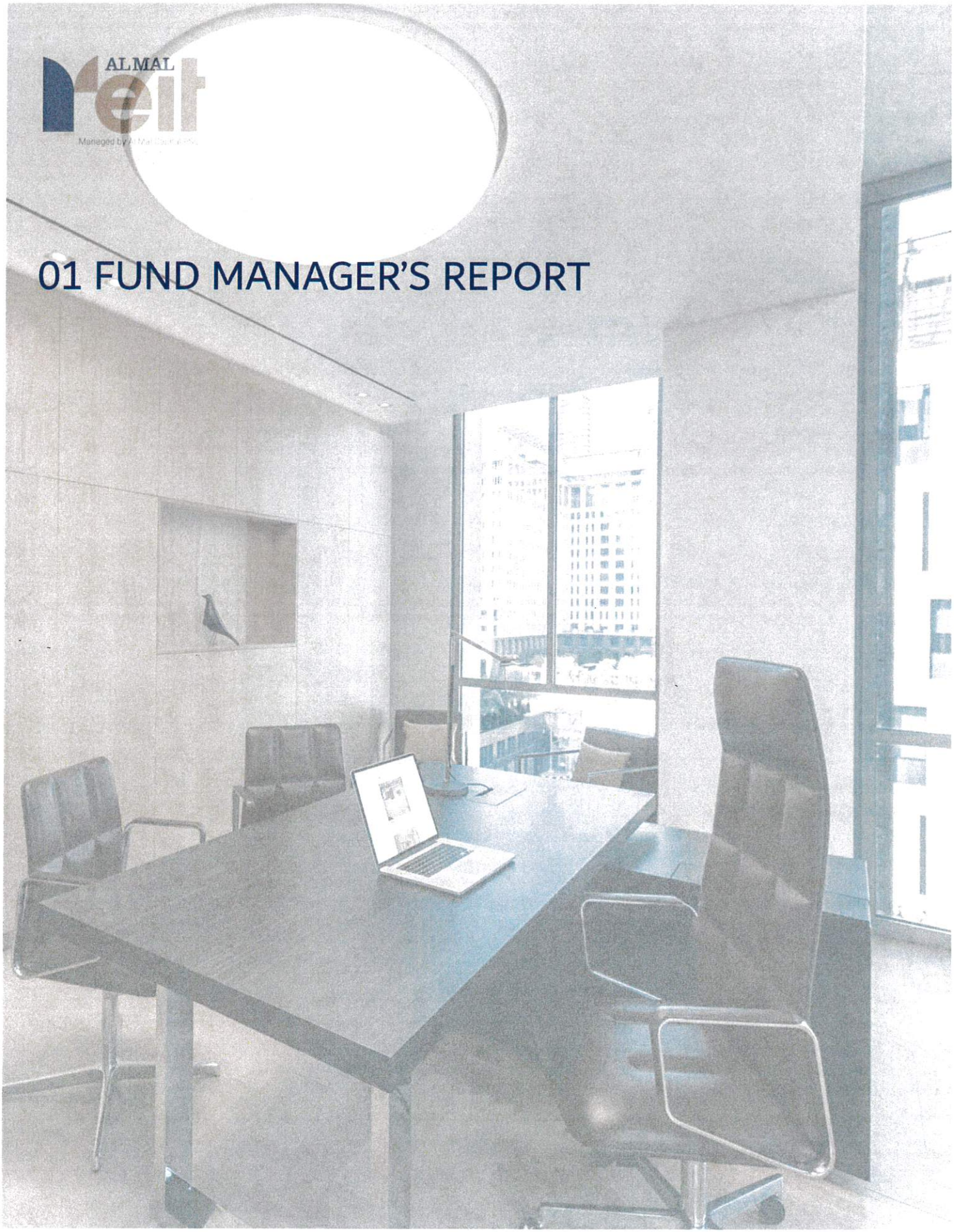
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01 FUND MANAGER'S REPORT

FUND MANAGER'S REPORT

FUND MANAGER'S STATEMENT

We are pleased to present the second report on Al Mal Capital REIT (the "Fund"), the first domestic REIT licensed by the Securities and Commodities Authority (SCA) of the UAE. The Fund is a closed-ended Real Estate Investment Trust ("REIT"), listed on the Dubai Financial Market ("DFM") and is the first such listing on the local stock market of the UAE.

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 and is a subsidiary of Dubai Investments PJSC, a company listed on the Dubai Financial Market.

Since it's first acquisition of the two school campuses of Al Shola Private Schools in Ajman, UAE, the Fund has been actively evaluating opportunities in the mandated sectors of Education, Healthcare and Industrials.

At the end of 2022, the Fund owned two school campuses in Ajman which are operated by Al Shola Group providing K-12 education in Arabic and International curriculums. Subsequently, on 15th February 2023, the Fund successfully completed the acquisition of the two school campuses of Wesgreen International School from Al Batha Real Estate for a consideration of AED 265 million, which are under a long-term lease arrangement with GEMS Education, the operator.

A notable development of the Fund in 2022 was securing the approval from the Securities and Commodities Authority of the UAE to carry out certain amendments to the Fund's prospectus towards broadening and improving the REIT's investment strategy.

During 2022, the Fund paid out the first interim dividend of AED 8.7 million for the 6 months period ending 30th June 2022 which was paid in September 2022 (AED 2.5 fils per unit representing an annualized yield of c. 5.0% of the net asset value).

Additionally, the Fund secured a Corporate Ijarah borrowing facility of AED 140 against the mortgage of Al Shola Schools asset, which was subsequently utilised to fund part of the acquisition costs of Wesgreen schools.

The Fund's property valuations are carried out semi-annually and annually by CBRE Dubai LLC, a RERA registered independent expert in real estate valuations. Valuations are prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and current IFRS accounting requirements as well. As of 31st December 2022, the Fund recorded AED 1 million unrealized gain on revaluation of Al Shola Schools based on the valuation report received from CBRE Dubai LLC.

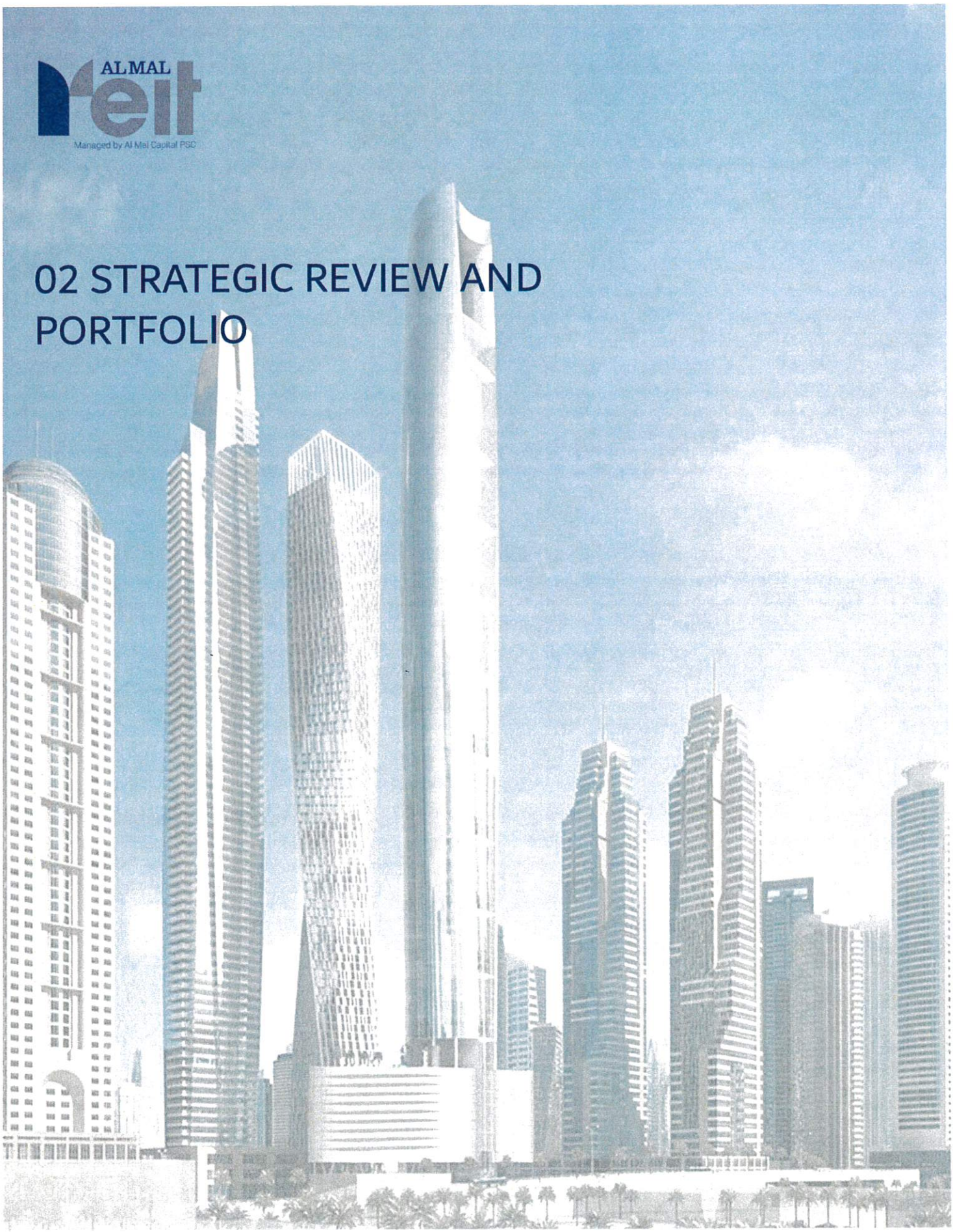
Despite capital market difficulties on account of rising interest rates in 2022, due to inflationary pressures globally and other geopolitical conflicts, the Fund manager negotiated favorable terms on the financing and on the acquisition of assets. We remain committed to our investment strategy by targeting defensive sectors such as education and healthcare.

Naser Nabulsi
Vice-Chairman & CEO

Sanjay Vig
Director

AL MAL REIT
Managed by Al Mal Capital PSC

02 STRATEGIC REVIEW AND PORTFOLIO



STRATEGIC REVIEW

AL MAL CAPITAL REIT IN BRIEF

Fund Name	Al Mal Capital REIT
Fund Manager	Al Mal Capital PSC
Fund Address	Office 901, 48 Burj Gate, Sheikh Zayed Road, UAE
Fund Life	Established for a period of 99 years
Investment Characteristics	• Acquire income generating real estate in high growth sectors such as education, healthcare and industrials • Target high occupancy and single let assets • Target tenants with strong credit profile • Sign-up long term lease arrangements with tenants • Secure income stream through balanced structuring • Triple net lease arrangements to minimize risks & optimize costs

The First REIT Listed on DFM

- The Fund is a closed-ended REIT that invests in a diversified portfolio of income generating real estate assets and securities in the UAE, GCC and other countries outside the GCC
- The Fund offers its investors access to an asset class with long-term fundamentals, through a strategy focused on investing in strong-performing sectors

Managed by a reputed Fund Manager with an experienced team and proven track record

Supported by top-tier third party advisors & auditors

Invest in Education, Healthcare and Industrial facilities through long-term lease structures

Target a diversified portfolio with attractive income and well-defined transaction structures

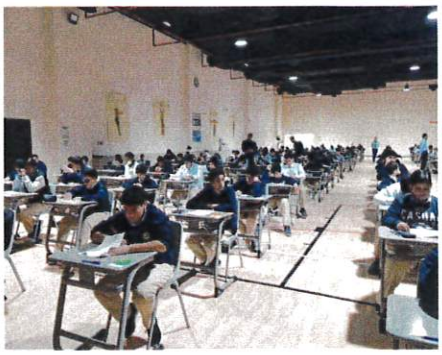
PORTFOLIO

PORTFOLIO SUMMARY

As of 31st December 2022, the Fund held 2 educational assets in the UAE, both located in Ajman and operated by Al Shola Group

1 Al Shola Private School - Tallah 2, Ajman





Year Started	Curriculum	Plot Area	Existing BUA	Ownership
2019	UAE Ministry	149,931.6 sq. ft.	247,117.9 sq. ft.	Single Plot - owned

2 Al Shola American School - Tallah 2, Ajman






Year Started	Curriculum	Plot Area	Existing BUA	Ownership
2019	American	150,120 sq. ft.	248,700 sq. ft.	Single Plot - owned

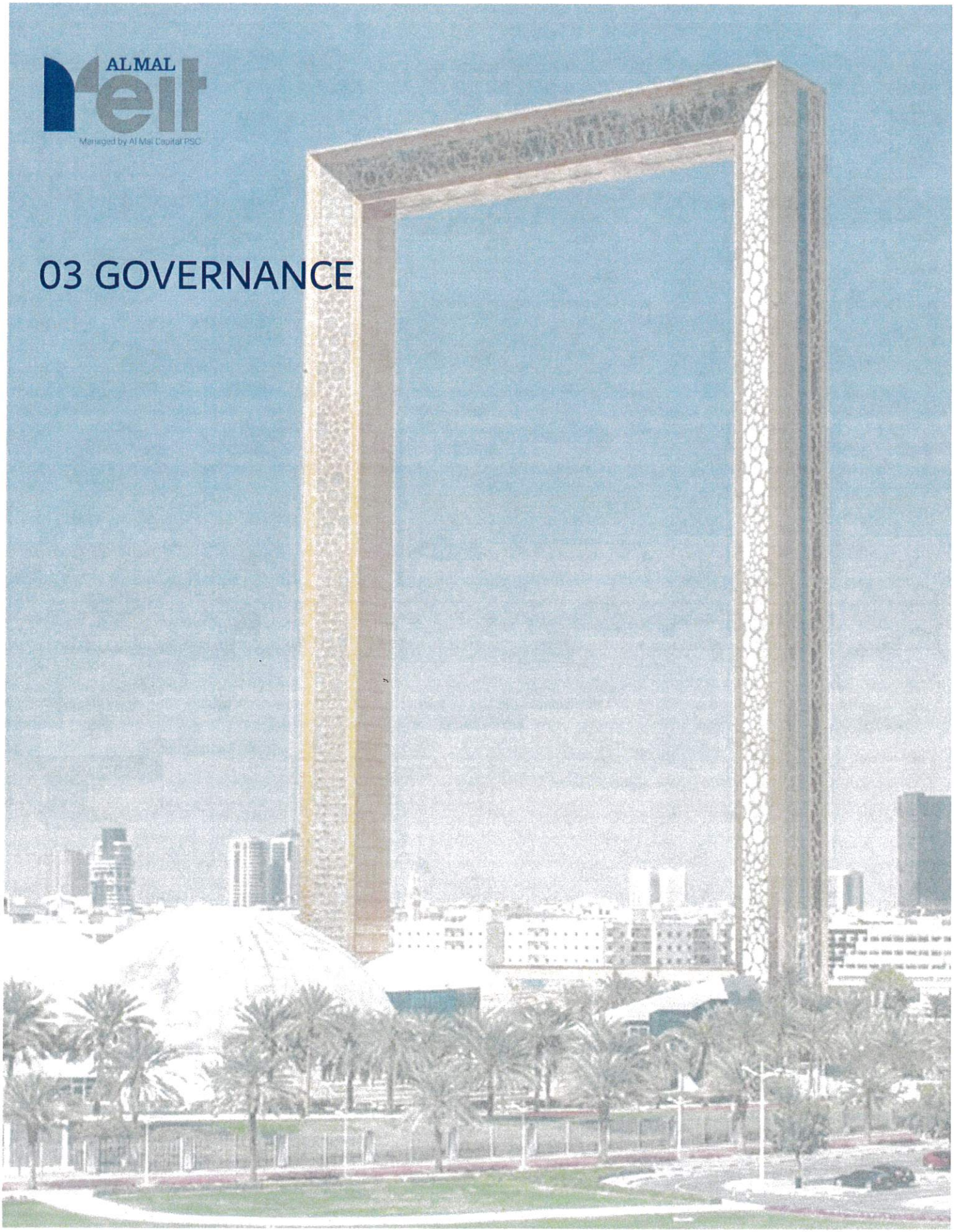
Lease Term	Student Capacity	Type	Current students *
15 years	4,300	Triple net basis	3,384

As of 15th February 2023, the Fund successfully completed the acquisition of two school campuses of Wesgreen International School in Sharjah which is on a long-term lease arrangement with GEMS Education, the operator

** For school year ended 30 June 2022*

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03 GOVERNANCE



GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

The Fund's objective is to achieve transparency and strengthen governance in overall affairs. Therefore, the Fund has constituted an Investment and Oversight Committee comprising experienced and reputed individuals as members. The committee oversees and supervises the Fund Manager's compliance with the REIT and Fund Regulations.

The Investment and Oversight Committee is responsible for supervising the Fund Manager's activities, including the verification of the Fund Manager's commitment to the following obligations:

(i) Express an opinion, and verify that the Fund does not conclude any transactions with the related parties until it has viewed details of all the counterparties in the transaction, the transaction's economic feasibility, and any other important and substantial information about the proposed deal; along with ensuring that the transaction is fully independent between its parties, with the absence of any partiality in assessing the investment opportunity in the "Arms' Length" transaction, while ensuring that the transaction serves the interest of the Fund's unitholders;

(ii) Exercising diligence and necessary care to provide sufficient and accurate information to the existing and new unit holders to enable them to make their investment decisions;

(iii) Immediate and periodic disclosure to the Authority, the Market and the unitholders of all data and information or any material events that have affected or may affect the Fund;

(iv) To avoid any action that may lead to an unnecessary increase in costs or risks to the Fund and to protect the interests of the Fund in any action or procedure;

(v) Managing risks and conflicts of interest with any other investment activities of the Fund Manager and related parties;

(vi) Ensure that the Fund's money is segregated and kept separate from the money and assets of the Fund Manager and from the assets of any other fund managed by the Fund Manager; and

(vii) Executing the fund's investment plan stipulated in the prospectus of the Fund.

GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

INVESTMENT AND OVERSIGHT COMMITTEE MEMBERS



H.E. Hussain Lootah
Chairman



Mr. Khalid Bin Kalban
Member



Dr. Mahdi Al Fardan
Member



Mr. Mohamed Alketbi
Member



Eng. Faisal AlKhazraji
Member

INVESTMENT AND OVERSIGHT COMMITTEE REPORT

We are pleased to present the second report of the Investment and Oversight Committee ("IOC") on Al Mal Capital REIT (the "Fund") for the year ended 31 December 2022.

The IOC continued with its mandate of strengthening the governance standard in the overall affairs of the Fund. As part of the periodic review, the IOC met thrice in 2022. The IOC were presented with opportunities pursued by the Fund Manager on behalf of the Fund.

The IOC met for the first time in January 2022 to consider, evaluate a potential acquisition for the Fund, which was presented by the Fund Manager and approved the same.

In July 2022, the IOC met to review the performance of the Fund post acquisition of the Al Shola Schools, review of the overall financial performance of the Fund including the proposed dividend distribution that was presented and recommended by the Fund Manager, which was approved by the IOC.

In September 2022, the IOC convened to review the developments of the Fund, in light of the increasing interest rate environment and reviewed the structure of the potential acquisition which was being negotiated by the Fund Manager. The acquisition was subsequently concluded in Q1 2023, post review and approval by the IOC members.

In addition, the IOC was also presented with another potential acquisition opportunity. The IOC reviewed and noted that the potential opportunity required the approval of the Securities and Commodities Authority and recommended to the Fund Manager that the discussion be held with SCA on the proposed amendments, which will be eventually presented for the consideration of the General Assembly.

There is no change to the composition of the IOC from the previous year.

As part of the overall review of the activities of the Fund including managing of the Fund by the Fund Manager, the IOC did not come across any issues.

H.E. Hussain Lootah
Chairman



04 MARKET OVREVIEW

MARKET OVERVIEW

MARKET DYNAMICS

GCC REIT Market

- Overall, GCC REITs are gaining popularity amongst investors and the market is seen as a promising area for investment, with strong potential for growth as the region continues to develop and urbanize.
- Some of the factors driving growth of GCC REIT market include a favorable regulatory environment, increasing demand for real estate investments, and the need for more diversified investment options in the region.

UAE Economic Overview

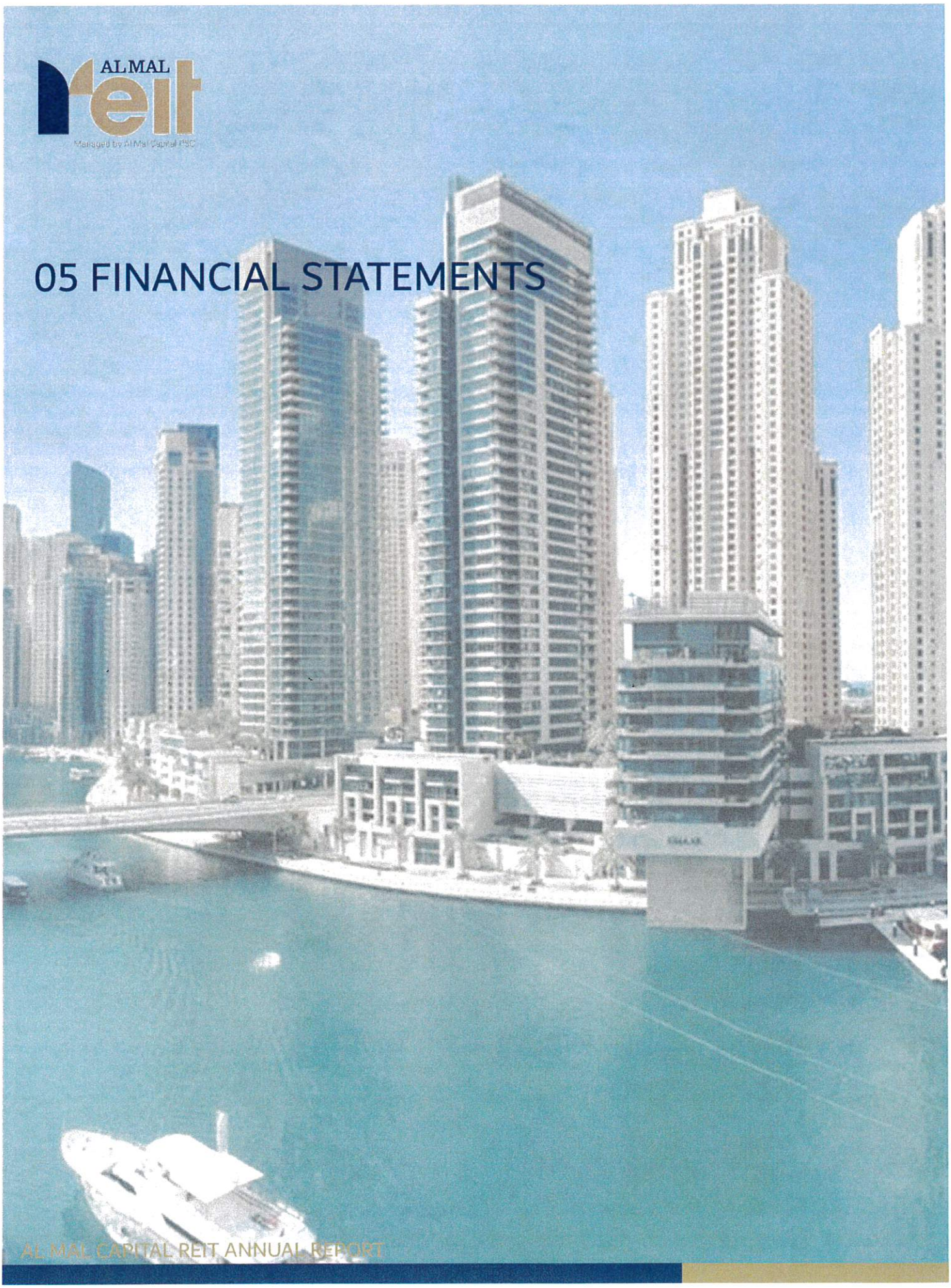
- The UAE recorded strong GDP growth in 2022 growing by 5.1% which was almost more than double the growth registered in some of the developed markets such as US, Europe or UK. This was mainly due to a strong rebound in tourism and construction related to Dubai World Expo, as well as higher oil production with elevated oil prices which led to high surpluses in fiscal and external balances. Non-hydrocarbon growth was c. 4% in 2022 and is expected to accelerate over the medium term with the implementation of ongoing reforms.
- Non-oil GDP sectors continued its higher contribution (y-o-y) to overall GDP growth with transportation and storage, wholesale & retail trade, and manufacturing sectors contributing 4.3% to non-oil GDP growth. In terms of property prices, Dubai saw 25.5% increase in residential property prices until Q3 2022.
- Inflation averaged 5.5% (y-o-y) by Q3 2022 caused by soaring global energy and commodities prices. The Central Bank of the UAE continues to raise interest rates to reach the 2% target level of inflation. EIBOR rates increased +400bps between January to December 2022 as a result.

Going Forward...

The outlook for the UAE economy remains positive as inflationary pressures are expected to moderate gradually due to tightening fiscal policies by central banks across the globe. The REIT market in the UAE is poised to strengthen the overall real estate market in the UAE and is considered an attractive mechanism. The recent declaration by the Securities & Commodities Authority regarding the simplification and the facilitation of the local REIT funds' rules within the frame of offering attractive & diversified investment mechanisms, will augur well for the growth of REITs in the UAE

Key Economic Indicators	2023E	2024E
GDP - USD bn	519.1	538.2
GDP - % Change	4.2	3.9
GDP per Capita - USDK	48.3	49.3
Gov't Gross Debt - % of GDP	29.5	29
Inflation Rate - %	3.6	2.0
Current Account - USD bn	64.8	51.9
Current Account - % of GDP	12.5	9.6

Source: IMF Data Mapper, October 2021, UAE News 24x7



05 FINANCIAL STATEMENTS

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Independent auditor's report to the unitholders of Al Mal Capital REIT

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Mal Capital REIT (the "Fund") 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.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in unitholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matter	• Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Fund Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

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Independent auditor's report to the unitholders of Al Mal Capital REIT (continued)

Our audit approach (continued)

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Fund's investment property portfolio comprises two school campuses. The Fund's accounting policy is to state its investment properties at fair value at each reporting date. The investment property portfolio is valued at AED 301 million. The net fair value gain recorded in the statement of profit or loss and other comprehensive income amounted to AED 1 million. The valuation of the Fund's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future market rentals and associated capitalisation yield rates for the properties valued under the 'income approach'. The valuations of the property portfolio was carried out by independent registered valuers (the "Valuers"). The Valuers were engaged by the Fund Manager and they performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards. The investment properties portfolio is valued by using the income approach. In determining a property's valuation, the Valuers take into account property specific information such as the current contracted tenancy agreements. The Valuers apply certain assumptions such as capitalisation yield rates, passing rent, and estimated future market rent which are influenced by prevailing market yields and specific characteristics, such as property location, tenant covenant and occupancy rate of each property in the portfolio, to arrive at the final valuation. The significance of the estimates and judgements involved in the valuations warranted specific audit focus in this area, as any significant variation in determination of the valuation inputs could have a material impact on the value of the Fund's investment properties and fair value gain or loss recognised in respect of these investment properties. Refer to notes 4 and 5 to the financial statements for related disclosures with respect to the above.	We assessed the competence, capabilities and objectivity of the Valuers engaged by the Fund Manager. We obtained the valuation reports for the properties valued by the Valuers and assessed whether the valuation approach used and methodology adopted by the Valuers is appropriate for determining the fair value of the investment properties for the purpose of the financial statements of the Fund. Further, we assessed the appropriateness of the key valuation assumptions used within each property valuation, such as capitalisation yield rates, passing rent, and estimated future market rent, and reviewed those for reasonableness. We involved our internal real estate valuation experts to review the valuation report to assess the appropriateness of the valuation approach used, methodology adopted and to review the reasonableness of the key valuation assumptions used. We performed audit procedures to assess whether the property specific information used for the valuations is reasonable by comparing it to underlying supporting records such as the current contracted tenancy agreements. We assessed the adequacy of the disclosures in notes 4 and 5 to the financial statements.

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Independent auditor's report to the unitholders of Al Mal Capital REIT (continued)

Other information

The Fund Manager is responsible for the other information. The other information comprises the Fund manager's report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of the Fund Manager and those charged with governance for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Fund Manager 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 Fund Manager is responsible for assessing the Fund'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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.

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Independent auditor's report to the unitholders of Al Mal Capital REIT (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
24 February 2023

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

Al Mal Capital REIT

STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2022 AED'000	2021 AED'000
Assets			
Non-current assets			
Investment properties	5	301,000	300,000
Current assets			
Receivables and other assets	6	5,570	420
Cash and cash equivalents	7	48,702	43,400
Total assets		**355,272**	**343,820**
Equity			
Unitholders' capital	8	350,064	350,064
Retained earnings / (accumulated losses)		3,139	(8,036)
Total unitholders' equity		**353,203**	**342,028**
Liabilities			
Current liabilities			
Due to a related party	9	1,400	1,085
Other payables		669	707
Total liabilities		**2,069**	**1,792**
Total equity and liabilities		**355,272**	**343,820**
Net asset value (AED'000)		353,203	342,028
Issued units (Units'000)		350,064	350,064
Net asset value per unit (AED)		1.00897	0.97704

These financial statements were approved by the Board of Directors of Al Mal Capital PSC as the Fund Manager on 24 February 2023 and were signed on its behalf by:

Naser Nabulsi
Vice-Chairman & CEO

Narendra Gajria
Chief Operating Officer

The notes on pages 23 to 38 are an integral part of the financial statements.

Al Mal Capital REIT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2022 AED'000	For the period from 15 December 2020 to 31 December 2021 AED'000
Income			
Lease revenue	5	23,132	2,598
Expense			
Management fees	9	(4,349)	(4,486)
Other expenses	10	(563)	(873)
Total expense		**(4,912)**	**(5,359)**
Finance income		706	1,109
Unrealised gain/(loss) on revaluation of investment properties	5	1,000	(6,384)
Profit/(loss) for the year/period		**19,926**	**(8,036)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year/period		**19,926**	**(8,036)**
Earnings per unit			
Basic and diluted profit/(loss) per unit (AED)		0.057	(0.023)

The notes on pages 23 to 38 are an integral part of the financial statements.

Al Mal Capital REIT

STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

	Note	Number of units '000	Unitholders' capital AED'000	Retained earnings / (accumulated losses) AED'000	Total AED'000
Issuance of units	8	350,064	350,064	-	350,064
Net loss and total comprehensive loss for the period from 15 December 2020 and 31 December 2021		-	-	(8,036)	(8,036)
At 31 December 2021		350,064	350,064	(8,036)	342,028
Net profit and total comprehensive income for the year		-	-	19,926	19,926
Dividends paid (note 13)		-	-	(8,751)	(8,751)
At 31 December 2022		350,064	350,064	3,139	353,203

The notes on pages 23 to 38 are an integral part of the financial statements.

Al Mal Capital REIT

STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2022 AED'000	For the period from 15 December 2020 to 31 December 2021 AED'000
Cash flows from operating activities			
Profit/(loss) for the year/period		19,926	(8,036)
Adjustment for:			
Unrealised gain/(loss) on revaluation of investment properties	5	(1,000)	6,384
Finance income		(706)	(1,109)
Operating cash flows before changes in working capital		**18,820**	**(2,761)**
Changes in working capital:			
Change in receivables and other assets		(5,150)	(420)
Change in due to a related party		315	1,085
Change in other payables		(38)	707
Net cash generated from / (used in) operating activities		**13,347**	**(1,389)**
Cash flows from investing activities			
Purchase of investment properties	5	-	(306,384)
Finance income received		706	1,109
Net cash generated from / (used in) investing activities		**706**	**(305,275)**
Cash flows from financing activities			
Proceeds from issuance of units*		-	350,064
Dividends paid to the unitholders	13	(8,751)	-
Net cash (used in) / generated from financing activities		**(8,751)**	**350,064**
Net increase in cash and cash equivalents		**5,302**	**43,400**
Cash and cash equivalents at beginning of the year/period		43,400	-
Cash and cash equivalents at 31 December 2022	**7**	**48,702**	**43,400**

*On behalf of the Fund Manager, the Fund collected subscription fees inclusive of VAT amounting of AED 7 million during the period ended 31 December 2021 from the unitholders and transferred the same to the Fund Manager (Note 9).

The notes on pages 23 to 38 are an integral part of the financial statements.

Al Mal Capital REIT

NOTES TO FINANCIAL STATEMENTS

For The Year Ended 31 December 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 Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority, 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 Investments PJSC, a company listed on the Dubai Financial Market (the "DFM").Dubai Investments PJSC is the 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.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ('Corporate Tax Law' or the 'Law') to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming a law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Fund has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Fund shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes. The Fund is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The financial statements of the Fund have been prepared on the historical cost basis, except for investment properties which are measured at fair value.

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or the areas where the assumption and estimate is significant to the financial statements are disclosed in Note 4.

New and amended standards adopted by the Fund

The Fund has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Fund. These standards, amendments or interpretations are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.2 Foreign currencies translation

(a) Functional and presentation currency

These 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 statement of comprehensive income.

2.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Fund, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable, borrowing costs.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

After initial recognition, investment property is carried at fair value.

Changes in fair values are recognised in the statement of profit or loss. Investment properties are derecognised when they have been disposed of.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.4 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.

2.5 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.

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

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.

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

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.
- Receivables and other assets: Receivables and other assets 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 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.

2 Summary of significant accounting policies (continued)

2.5 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
- Receivables and other assets.

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 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.

2.6 Cash and cash equivalents

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

2.7 Unitholders' capital

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. Distributions to Unitholders are recognised in the statement of changes in unitholders' equity.

2.8 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.

2 Summary of significant accounting policies (continued)

2.9 Leases

When the Fund acts as a lessor, it determines at the lease commencement whether each lease is a finance lease or an operating lease. The Fund makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of incidental to ownership of the underlying asset. As part of this assessment, the Fund considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease revenue from operating leases comprises of rental income from tenants. Lease revenue from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of lease revenue.

Under sale and leaseback transaction, the Fund first considers whether the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale. The buyer-lessor will recognise the underlying asset and apply the lessor accounting model to the leaseback in case the initial transfer is a sale.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

2.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 financial instruments which are sensitive to price risk.

(iii) Cash flows and fair value interest rate risk

The Fund has no significant exposure to cash flows interest rate risk as it does not hold any interest-bearing assets or liabilities as at 31 December 2022.

(b) Credit risk

Counterparties (Moody's rating) Rating	At 31 December 2022 AED'000	At 31 December 2021 AED'000
A1	47,773	6,291
A2	929	-
A3	-	37,109
	48,702	43,400

3 Financial risk management (continued)

(b) Credit risk (continued)

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 high credit rating.

As at 31 December 2022, cash and bank balance with one bank accounted for 98% of the cash and bank balances of the Fund. The Fund Manager is of the view that this concertation 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 Fund 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 as required.

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.

3.3 Fair value estimation

The carrying value of financial assets and financial liabilities of the Fund approximates their fair value as at 31 December 2022.

4 Use of estimates and judgments

The preparation of financial statements requires the Fund Manager 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 financial statements is disclosed below:

4 Use of estimates and judgments (continued)

Valuation of investment properties

For the determination of fair value of investment property, the best evidence of fair value is normally given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts or bid prices for these properties. Alternatively, fair value can be determined based on the income approach (term and reversion), which derives value from the capitalisation of a property's net income.

The Fund recognises property initially at cost, including related transaction costs. In accordance with IAS 40 'Investment Property', the Fund has elected to measure properties thereafter at the fair value, as determined by the independent valuers. The independent valuers used are not related to the Fund and they hold recognised and relevant professional qualifications and relevant experience in the location and category of the investment property being valued.

The different levels for fair values of non-financial assets have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analyses non-financial asset measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022				
Investment properties	-	-	301,000	301,000
31 December 2021				
Investment properties	-	-	300,000	300,000

4 Use of estimates and judgments (continued)

Valuation of investment properties (continued)

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value levels during the period.

The potential impact on the fair valuation of the investment property should there be any changes in the values of key unobservable inputs used by the valuer is disclosed in Note 5.

5 Investment properties

	2022 AED'000	2021 AED'000
Opening balance	300,000	-
Additions to investment properties during the period	-	306,384
Gain/(loss) on fair valuation	1,000	(6,384)
Balance at 31 December	301,000	300,000

Investment properties comprise of two schools Al Shola Private School and Al Shola American Private School (the "Properties"), located at Al Tallah 2, Ajman, UAE. The properties, part of the Al Shola Group, are almost identical with a combined total land area of approx. 300,000 Sq. ft. and a combined built up area of approx. 495,800 Sq. ft. with a combined total capacity to accommodate up to 4,300 students.

The properties 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 23 million (for the period from 15 December 2020 to 31 December 2021: AED 3 million) has been recognised during the year.

Note 12 sets out a maturity analysis of the lease payments, showing the undiscounted lease payments to be received after the reporting date.

At 31 December 2022, the Fund had an unutilised bank facility of AED 140 million (subsequently utilised on 15 February 2023) which is secured against the investment properties.

5 Investment properties (Continued)

Valuation processes

The properties were valued by an independent registered valuer (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	A term yield of 7.25% (2021: 7.03%) to capitalise the rental income until the expiry of the lease and a reversionary yield of 7.75% (2021: 8.02%) to capitalise the rental income upon reversion into perpetuity. This results in an equivalent yield of 7.60% (2021: 7.59%) for the property. If the equivalent yield was 0.5% higher/lower, the valuation would have been AED 19 million lower / AED 22 million higher.

6 Receivables and other assets

	2022 AED'000	2021 AED'000
Rent receivable	1,537	155
Prepayments	40	37
Other receivables	3,993	228
	5,570	420

7 Cash and cash equivalents

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

	2022 AED'000	2021 AED'000
Cash at bank	48,702	43,400

At 31 December 2022, bank balances were placed with local banks and a branch of an international bank.

8 Unitholders' capital

Unitholders' capital comprises of 350,064 thousand units of AED 1 each (2021: 350,064 thousand units of AED 1 each).

9 Related party transactions and balances

Related parties comprise of the parent company, the Fund Manager and key management personnel and businesses which are controlled directly or indirectly, by the 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 year ended 31 December 2022 AED'000	For the period from 15 December 2020 to 31 December 2021 AED'000
Transactions with the Fund Manager		
Management fees	4,349	4,486
Debt arrangement fee deferred	1,400	-
Asset acquisition fee capitalised in investment property	-	3,000
Subscription fee paid (inclusive of VAT) *	-	7,001

9 Related party transactions and balances (continued)

Related party transactions (continued)

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.

*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 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
	340,100

Related party balances

	2022 AED'000	2021 AED'000
Due to a related party – the Fund Manager	1,400	1,085

10 Other expenses

	For the year ended 31 December 2022 AED'000	For the period from 15 December 2020 to 31 December 2021 AED'000
Professional fees	343	724
Fund services fee	132	132
License and registration fees	47	14
Miscellaneous expenses	41	3
	563	873

11 Financial instruments by category

At amortised cost	2022 AED'000	2021 AED'000
Financial assets		
Receivables and other assets	1,537	155
Cash and cash equivalents	48,702	43,400
	50,239	43,555
Financial liabilities		
Due to a related party	1,400	1,085
Other payables	520	707
	1,920	1,792

12 Commitments

The future minimum rentals receivable under operating leases as at 31 December 2022 are as follows.

	2022 AED'000	2021 AED'000
Within one year	21,750	21,750
After one year but not more than five years	88,957	87,979
More than five years	214,925	237,653
	325,632	347,382

13 Dividend

Interim dividend of AED 2.5 fils per unit amounting to AED 8.75 million, representing 46% of the annual realized profit was declared on 7 September 2022 and paid on 22 September 2022. The Fund manager will propose a final dividend on 28 February 2023 which, together with the interim dividend, will represent at least 80% of the Fund's annual realized profit in order to comply with the profit distribution requirements of the REIT regulations.

14 Subsequent events

Subsequent to the year end, On 15 February 2023 the Fund successfully completed the acquisition of the two school campuses (Muwaliah Campus and Al Qaraien Campus with a plot area of 1,065,626 Sq. ft and 308,106 Sq. ft, respectively) of Wesgreen International School from Al Batha Real Estate for a consideration of AED 265 million. The school is leased to and operated by GEMS Education for a lease term of 30 years and will continue to be the lessee and operator of the school under the existing lease framework agreement.

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