Al Mal Capital REIT

Fund manager’s report and financial statements
For the year ended 31 December 2023

Al Mal Capital REIT

Reports and financial statements
For the year ended 31 December 2023

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Fund manager's report

We are pleased to present our report on Al Mal Capital REIT (the "Fund") for the year ended 31st December 2023.

Al Mal Capital REIT, is a closed ended Real Estate Investment Trust ("REIT"), listed on the Dubai Financial Market and licensed by the Securities and Commodities Authority ("SCA") of the UAE. The Fund is the first listing of its type on the local market in the UAE and continued to hold this status as of 31st December 2023.

Al Mal Capital PSC (the "Fund Manager") is responsible for managing the Fund's investments, identifying new acquisition targets, and growing the overall Fund size in line with the guidelines. 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 (the "DFM").

The Fund Manager has appointed the Investment and Oversight Committee ("IOC"), which is tasked with overseeing and supervising the activities of the Fund Manager including considering and approving investment proposals.

The objective of the Fund is to invest in a diversified portfolio of income generating real estate assets in the UAE and GCC, based on secure long-term lease agreements with a strong credit profile of the tenants focusing on Education and Healthcare. The Fund is also mandated to invest in assets in the Industrial segment to diversify its asset base.

As of 31st December 2023, the Fund's investment portfolio stood at AED 578 million comprising four school campuses in Sharjah and Ajman. In February 2023, the Fund completed the second acquisition of two school campuses of Wesgreen International Private School ("Wesgreen") from Al Batha Real Estate for a consideration of AED 265 million, which are under long-term leasing arrangements with GEMS Education, the existing operator (Note 5). The Fund's first acquisition of two school campuses in Ajman from Al Shola Schools Group has been performing steadily in terms of portfolio value and lease rental income.

During 2023, the Fund secured a Corporate Ijarah financing facility on Wesgreen campuses with a local bank for AED 105 million at attractive commercial terms and the existing corporate Ijarah facility of AED 140 million was fully utilised to fund the above acquisition (Note 9). The Fund also availed a short term Wakala Financing of AED 105 million from a related party which was repaid fully later during the year (Note 10).

During the financial year 2023, the Fund continued its dividend payout track record. In March 2023, the Fund distributed AED 9.63 million as the final dividend for the financial year 2022 achieving an annualized yield of 5.25% on its total distribution of AED 18.38 million, which represented 97.1% of the net realised profit for that year. In August 2023, the Fund distributed AED 12.25 million as interim dividends for the half year ended 30 June 2023, thus achieving an annualized yield of 7 %, meeting its target yield (Note 15).

Fund manager's report (continued)

In line with the Fund regulations, the 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 2023, the Fund recorded AED 9.8 million on account of unrealised gain on revaluation of Wesgreen and Al Shola Schools (AED 1 million on 31st December 2022) based on the valuation report received from CBRE Dubai LLC.

The Fund delivered an increased financial performance in 2023 vis-à-vis 2022. This was achieved by completing the second acquisition which resulted in deployment of a major part of the unitholders' equity, increased lease rental income accruing to the Fund, concluding the financing on the Wesgreen asset and upscaling the dividend payout to achieve the target divided return of 7.00%. The macro-economic condition around the globe faced challenges on multiple fronts including geo-political situation, higher interest rate scenario continuing all through 2023 amongst others. Despite the challenges, the Fund continued with its investment activities in a focused manner to deliver the returns to the unitholders. The Fund continues to pursue its investment strategy of investing in social infrastructure (Education and Healthcare) and Industrial businesses with an intent to enhance the Fund's portfolio, grow the Assets under Management and deliver sustainable returns to unitholders.

The Fund is seeking to upscale the unitholders' capital in 2024 and is working towards a capital offering to shore up the equity base to acquire new assets and grow the portfolio.

Sanjay Vig
Director

19 February 2024

٤٨ مبنى برج جيت، داون تاون دبي، شارع الشيخ زايد، مكتب رقم ٩٠١، ص.ب ١١٩٩٣٠، دبي، الإمارات العربية المتحدة، هاتف: ٩٧١٤٣٦٠١١١١+
48 Burj Gate, Downtown Dubai, Sheikh Zayed Road, Office 901, P.O.Box 119930, Dubai, UAE, Tel: +97143601111
reit@almalcapital.com | www.almalcapitalreit.com

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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.

PricewaterhouseCoopers Limited Partnership Dubai Branch, License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

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

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.

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.

Our audit approach (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Fund's investment properties portfolio comprises four school campuses. The Fund's accounting policy is to state its investment properties portfolio at fair value at each reporting date. The investment property portfolio is valued at AED 578 million as at 31 December 2023. The net fair value gain recorded in the statement of profit or loss and other comprehensive income amounted to AED 9.8 million for the year then ended. 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 valuation of the properties 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.	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 are 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 assumptions for reasonableness. We involved our internal real estate valuation experts to review the valuation reports 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.

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.

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 IFRS Accounting 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.

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

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

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.
- 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, where applicable, actions taken to eliminate threats or safeguards applied.

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 matters. 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 Limited Partnership Dubai Branch
20 February 2024

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

Al Mal Capital REIT

Statement of financial position

	Notes	As at 31 December 2023 AED'000	2022 AED'000
Assets			
Non-current assets			
Investment properties	5	578,000	301,000
Current assets			
Receivables and other assets	6	3,485	5,570
Short term deposits	7	22,562	-
Cash and cash equivalents	7	19,990	48,702
		46,037	54,272
Total assets		624,037	355,272
Equity and liabilities			
Equity			
Unitholders' capital	8	350,064	350,064
Retained earnings		15,795	3,139
Total unitholders' equity		365,859	353,203
Liabilities			
Non-current liabilities			
Bank borrowings	9	242,417	-
Current liabilities			
Due to a related party	10	3	1,400
Payables and other liabilities	11	15,758	669
		15,761	2,069
Total liabilities		258,178	2,069
Total equity and liabilities		624,037	355,272
Net asset value (AED'000)		365,859	353,203
Issued units (Units'000)		350,064	350,064
Net asset value per unit (AED)		1.04512	1.00897

These financial statements were approved by the Board of Directors of Al Mal Capital PSC as the Fund Manager on 19 February 2024 and were signed on its behalf by:

Naser Nabulsi ....

Vice-Chairman & CEO

....

Chief Operating Officer

The notes on pages 12 to 31 are an integral part of these financial statements.

Al Mal Capital REIT

Statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2023 AED'000	2022 AED'000
Income			
Lease revenue	5	46,038	23,132
Less: property operating expenses		(1,260)	-
Net property income		44,778	23,132
Expenses			
Management fees	10	(4,491)	(4,349)
Other expenses	12	(787)	(563)
Total expenses		(5,278)	(4,912)
Operating profit for the year		**39,500**	**18,220**
Finance income/(costs)			
Finance income		1,958	706
Finance costs	9,10	(16,716)	-
Net finance (costs)/income		(14,758)	706
Profit before revaluation of investment properties		**24,742**	**18,926**
Unrealised gain on revaluation of investment properties	5	9,793	1,000
Profit for the year		**34,535**	**19,926**
Other comprehensive income		-	-
Total comprehensive income for the year		**34,535**	**19,926**
Earnings per unit			
Basic and diluted profit per unit (AED)		0.099	0.057

Statement of changes in unitholders' equity

	Notes	**Number of units '000**	**Unitholders' capital AED'000**	**Retained earnings AED'000**	**Total AED'000**
1 January 2022	8	350,064	350,064	(8,036)	342,028
Profit for the year		-	-	19,926	19,926
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	19,926	19,926
Dividends declared and paid	15	-	-	(8,751)	(8,751)
At 31 December 2022		350,064	350,064	3,139	353,203
1 January 2023		350,064	350,064	3,139	353,203
Profit for the year		-	-	34,535	34,535
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	34,535	34,535
Dividends declared and paid	15	-	-	(21,879)	(21,879)
At 31 December 2023		350,064	350,064	15,795	365,859

Statement of cash flows

	Notes	For the year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit for the year		34,535	19,926
Adjustments for:			
Unrealised gain on revaluation of investment properties	5	(9,793)	(1,000)
Finance income		(1,958)	(706)
Finance cost		16,716	-
Operating cash flows before changes in working capital		39,500	18,220
Changes in working capital:			
Change in receivables and other assets		(3,902)	(5,150)
Change in due to a related party		(1,397)	315
Change in payables and other liabilities		15,089	(38)
Net cash generated from operating activities		49,290	13,347
Cash flows from investing activities			
Purchase of investment properties	5	(267,207)	-
Movement in short term deposits		(22,562)	-
Finance income received		1,958	706
Net cash (used in)/generated from investing activities		(287,811)	706
Cash flows from financing activities			
Proceeds from bank borrowings	9	245,000	-
Proceeds from loan due to a related party		105,000	-
Repayment of loan due to a related party		(105,000)	-
Finance costs paid		(13,312)	-
Dividends paid to the unitholders	15	(21,879)	(8,751)
Net cash generated from/(used in) financing activities		209,809	(8,751)
Net (decrease)/increase in cash and cash equivalents		(28,712)	5,302
Cash and cash equivalents at beginning of the year		48,702	43,400
Cash and cash equivalents as at 31 December 2023	7	19,990	48,702

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 ("UAE") 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 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 and the Gulf Cooperation Council ("GCC"), thereby providing the 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 (the "Parent Company") and the controlling party of the Fund and has an effective holding of 77.71% of the Fund's units.

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

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

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Fund's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base.

Based on the assessment, the Fund has noted no potential deferred tax impact for the year ended 31 December 2023. The Fund will continue to assess the expected impact, and continue to evaluate its interpretation in light of the Decisions and related guidance.

2 Material accounting policies

The material 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 Accounting Standards") as issued by the International Accounting Standards Board (IASB) and interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations).

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 IFRS Accounting Standards 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 are significant to the financial statements are disclosed in Note 4.

New and amended standards adopted by the Fund

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (Effective for annual periods beginning on or after 1 January 2023)

The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

***New and amended standards adopted by the Fund** (continued)*

Definition of Accounting Estimates – Amendments to IAS 8 (Effective for annual periods beginning on or after 1 January 2023)

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (Effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

New standards and interpretations in issue but not yet effective and not early adopted by the Fund

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 and Non-current Liabilities with Covenants – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2024)

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:
• the carrying amount of the liability
• information about the covenants, and
• facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

***New standards and interpretations in issue but not yet effective and not early adopted by the Fund** (continued)*

Amendment to IFRS 16 – Leases on sale and leaseback (Effective for annual periods beginning on or after 1 January 2024)

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines ‘lease payments’ and ‘revised lease payments’ in a way that does not result in the seller lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The Fund is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

2.2 Foreign currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

2 Material accounting policies (continued)

2.3 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Fund, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Investment properties are measured initially at their 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 properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalized borrowing costs.

After initial recognition, investment properties are carried at fair value.

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

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

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 other comprehensive income (“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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

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.

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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(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.

(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, however 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 Material accounting policies (continued)

2.6 Financial liabilities

The Fund recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

2.7 Cash and cash equivalents

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

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

2.9 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 and short term deposits.

2.10 Finance cost

Finance cost is recognised in profit or loss using the effective profit method. The effective profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective profit rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Finance cost presented in the statement of profit or loss and other comprehensive income comprise financing cost of borrowing.

2 Material accounting policies (continued)

2.11 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 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.

2.12 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 the 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 flow and fair value interest rate risk

The financial assets and liabilities exposed to interest rate fluctuations are short term deposits and bank 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 Fund's profit for the year would decrease or increase by AED 1.2 million (2022: Nil).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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:

Cash and cash equivalents **Rating**	2023 AED'000	2022 AED'000
A1 *(Moody's rating)*	2,934	47,773
A2 *(Moody's rating)*	14,818	929
A3 *(Moody's rating)*	2,097	-
BBB+ *(Fitch's rating)*	141	-
	19,990	48,702

Short term deposits **Rating**	2023 AED'000	2022 AED'000
A3 *(Moody's rating)*	20,000	-
BBB+ *(Fitch's rating)*	2,562	-
	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 high credit rating.

The recoverability of receivables and other assets is monitored on a regular basis. Management has performed an assessment and has determined that the impairment provision against these financial assets above would be immaterial.

(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 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

31 December 2023	**Within 1 year**	**1 -5 years**	**Above 5 years**	**Total**
	AED'000	AED'000	AED'000	AED'000
Non-derivative financial liabilities				
Bank borrowings	17,488	277,845	-	295,333
Due to a related party	3	-	-	3
Payables and other liabilities	642	-	-	642
	18,133	277,845	-	295,978
31 December 2022				
Due to a related party	1,400	-	-	1,400
Payables and other liabilities	520	-	-	520
	1,920	-	-	1,920

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 the 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 31 December 2023 and 31 December 2022 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.

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 are disclosed below:

Valuation of investment properties

For the determination of fair value of investment properties, 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 properties 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 experience in the location and category of the investment properties 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 assets 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	**Level 2**	**Level 3**	**Total**
	AED'000	AED'000	AED'000	AED'000
31 December 2023				
Investment properties	-	-	578,000	578,000
31 December 2022				
Investment properties	-	-	301,000	301,000

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 year.

4 Use of estimates and judgments (continued)

Valuation of investment properties (continued)

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

	2023 AED'000	2022 AED'000
Opening balance	301,000	300,000
Additions to investment properties during the year	267,207	-
Gain on fair valuation	9,793	1,000
Balance at 31 December	578,000	301,000

Investment properties comprise of two school campuses in Ajman, UAE (Al Shola Private School and Al Shola American Private School) and two school campuses in Sharjah, UAE (Wesgreen International Schools Muwaliah Campus and Al Qaraien Campus) (the "Properties").

On 15 February 2023, the Fund successfully completed the acquisition of two school campuses i.e. 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 GEMs Education will continue to be the lessee and operator of the school under the existing lease framework agreement.

Lease revenue of AED 46 million has been recognised during the year (2022: AED 23 million).

Note 14 sets out a maturity analysis of the lease payments, showing the undiscounted lease payments to be received after the reporting date.

Valuation process

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 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.

5 Investment properties (continued)

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 include:

	2023	2022
Term yield	6.97% - 8.13%	7.25%
Reversionary yield	7.95% - 11.32%	7.75%
Equivalent yield	7.25% - 7.62%	7.60%

If the equivalent yield was 0.5% higher/lower, the valuation would have been AED 30 million lower / AED 33 million higher (2022: AED 19 million lower / AED 22 million higher).

6 Receivables and other assets

	2023 AED'000	2022 AED'000
Rent receivable	2,918	1,537
Prepayments	96	40
Other receivables	471	3,993
	3,485	5,570

7 Short term deposits and cash and cash equivalents

	2023 AED'000	2022 AED'000
Short term deposits		
Deposits with bank under lien (more than 3 months maturity)	20,000	-
Other deposit under lien	2,562	-
	22,562	-

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

Cash and cash equivalents		
Cash at bank	5,349	48,702
Deposits with bank (less than 3 months maturity)	14,641	-
	19,990	48,702

7 Short term deposits and cash and cash equivalents (continued)

The effective interest rate for deposits with banks ranges from 4.5% to 5.5% (2022: Nil) per annum. At 31 December 2023 and 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 (2022: 350,064 thousand units of AED 1 each) as at 31 December 2023 and 2022.

9 Bank borrowings

	2023 AED'000	2022 AED'000
Opening balance	-	-
Islamic financing received during the year	245,000	-
Transaction costs on financing	(5,987)	-
Accrued interest	2,348	-
Amortisation of transaction cost	1,056	-
Balance at 31 December	242,417	-

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.

10 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. Related party transactions are entered at mutually agreed terms. The aggregate value of significant transactions with related parties during the year was as follows:

10.1 Related party transactions

Transactions with the Fund Manager	2023 AED'000	2022 AED'000
Management fees	4,491	4,349
Debt arrangement fee paid	1,050	1,400
Asset acquisition fee paid for investment properties	2,650	-

10 Related party transactions and balances (continued)

10.1 Related party transactions (continued)

	2023	2022
Transactions with Ultimate Parent Company	AED'000	AED'000
Finance costs	4,849	-

The finance costs relate to a short term Wakala Financing amounting to AED 105 million availed during the year from the Ultimate Parent Company with profit rate at 3-month EIBOR plus fixed profit margin rate which was repaid fully later during the year.

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.

10.2 Related party balances

	2023	2022
	AED'000	AED'000
Due to a related party		
Fund Manager	3	1,400

The amount due to the related party is repayable on demand and does not bear any interest.

11 Payables and other liabilities

	2023	2022
	AED'000	AED'000
Unearned rental income	14,876	-
Accrued expenses	642	520
Other payables	240	149
	15,758	669

12 Other expenses

	2023 AED'000	2022 AED'000
Professional fees	454	343
Fund services fee	132	132
License and registration fees	62	47
Miscellaneous expenses	139	41
	787	563

13 Financial instruments by category

The table below sets out the Fund's classification of financial assets and liabilities and their carrying amounts as at 31 December 2023 and 2022.

At amortised cost	2023 AED'000	2022 AED'000
Financial assets		
Receivables and other assets	3,389	1,537
Short term deposits	22,562	-
Cash and cash equivalents	19,990	48,702
	45,941	50,239

At amortised cost	2023 AED'000	2022 AED'000
Financial liabilities		
Bank borrowings	242,417	-
Due to a related party	3	1,400
Payables and other liabilities	642	520
	243,062	1,920

14 Commitments

The future minimum rentals receivable under operating leases as at 31 December 2023 and 2022 are as follows:

	2023 AED'000	2022 AED'000
Within one year	38,645	21,750
After one year but not more than five years	165,619	88,957
More than five years	656,076	214,925
	860,340	325,632

15 Dividend

The Fund Manager declared and paid final dividend of AED 2.75 fils per unit amounting to AED 9.63 million for the financial year 2022 on 21 March 2023, which together with the interim dividend amounting to AED 8.75 million paid on 22 September 2022 represents 97 % of the Fund's annual realised profit for the financial year 2022.

Interim dividend of AED 3.5 fils per unit amounting to AED 12.25 million, representing 49.5% of the annual realized profit was declared on 2 August 2023 and paid on 16 August 2023. The Fund manager will propose a final dividend on 21 February 2024 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.

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

16 Subsequent events

Subsequent to the year end, on 5 February 2024, following the approval of Unitholders in the General Assembly Meeting held on 13 December 2023, the Fund published an invitation to the Unitholders to subscribe for new units in a Rights Issue. The capital increase, through the Rights Issue, is for an amount of up to AED 440 million by issuing up to 400 million units. Other than this, there have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements as at and for the year ended 31 December 2023.