Rasmala plc

(“Rasmala” or the “Company”)

Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2017

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Highlights

- Financial performance in our core businesses for the six months to 30 June 2017 was stable and satisfactory
- Operating income of £6.9m (first half 2016: £4.0m)
- Operating loss of £1.3m (first half 2016: £1.3m loss)
- Assets under management (AUM) at 30 June 2017 including capital seeded by the Group increased 29% to US$1,235m (December 2016: US$956m)
- Strong capital adequacy, regulatory and liquidity ratios maintained

Financial results

Rasmala delivered satisfactory performance in its core businesses in the period up to 30 June 2017.

Total operating income for the six months to 30 June 2017 was £6.9m (six months to 30 June 2016: £4m). Total expenses for the six months were £8.1m (first half 2016: £5.2m). The resulting Operating loss for the six months was £1.3m (first half 2016: £1.3m).

These results consolidate Red Apartments Limited (“RAL”), a serviced apartment provider we acquired in December 2016. Looking at our results on a like for like basis (excluding RAL) total operating income for the period was £4.8m (six months to 30 June 2016: £4m) and expenses for the period were £5.8m (six months to 30 June 2016: £5.2m).

Our stable performance in the first six months reflects a more diversified product offering and confidence from our clients in our new initiatives. We expect this trend to continue in the second half of the year.

The Group maintained its strong capital adequacy, regulatory and liquidity ratios.

Commentary

Coming into 2017, markets were poised for reflation, higher rates, steeper yield curves, stronger dollar, weaker emerging markets, trade wars and higher volatility. Risks associated with the election of Donald Trump, Brexit, a hawkish FOMC and China’s deleveraging were some of the catalysts that were expected to cause higher volatility. In fact the outcome has been quite different with periodic bouts of volatility and risk aversion quickly evaporating.

The latest IMF forecasts project global growth of 3.5% in 2017 and 3.6% in 2018 with emerging markets once again driving broad based global growth. The IMF expects economic growth of 4.5% in emerging markets in 2017 versus 2% in developed markets. Emerging markets are benefiting from positive global trade, a weakening dollar, abundant global liquidity and improved fundamentals.

Uncertainty surrounding Brexit continues to restrain investment and exert pressure on the British Pound which remains weak against the Euro. The uncertainty regarding transitional trade arrangements post Brexit is likely to continue with the divorce negotiations struggling to gain meaningful traction.

In the GCC, Qatar's dispute with the Saudi-led alliance which includes the UAE, Bahrain and Egypt, appears gridlocked and unlikely to be resolved in the near term. Oil, a key driver of economic activity in the GCC, has traded in a range US$45–$57/barrel in 2017 with little progress in rebalancing market supply and demand. OPEC/non-OPEC production cuts have largely been negated by supply increases from the US, Libya and Nigeria. With demand growth from China and India unlikely to increase in H2 2017 and European and Japanese growth unlikely to be accompanied by a significant rise in oil use, oil price risk appears skewed towards the lower end of the US$45–$60/barrel range for the remainder of 2017 and into 2018.

The reform programme in Saudi Arabia is gathering pace demonstrated by the recent announcement allowing women to drive in the Kingdom. Saudi Arabia reported a 20% reduction in its deficit in H1 2017 compared to H1 2016 but also a 17% decline in non-oil revenue in the same period. The expected inclusion of Saudi Arabia into the MSCI Emerging Markets Index will increase the weight of the GCC region to around 4%-6% of the total allowing the region to finally claim a permanent allocation into any emerging markets portfolio.

The Dubai economy continues to be resilient with the number of passengers traveling through Dubai airports increasing 6% and tourist arrivals 11% in H1 2017 resulting in a hotel occupancy rate of 79%. DP World reported a 4.3% increase in throughput in Jebel Ali in H1 2017 and the total value of real estate transactions increased 17% in the same period compared to last year.

Global credit markets performed strongly on the back of the relatively benign interest rate environment and robust fund flows. Regionally, the heightened geopolitical risk associated with the Qatari situation resulted in a spike in 5-year regional government CDS levels although there has been a subsequent reversion to pre-crisis levels (other than the Qatar 5-year CDS which currently trades c. 50% higher than prior to the dispute).

In H1 2017, bond and sukuk witnessed a record US$45.2bn in new issuance. This was split US$26.5bn and US$ 18.7bn between bonds and sukuk respectively.

International real estate markets remain very competitive, with significant pools of capital looking for long term income assets. International capital continues to view the UK as a secure destination, with increased investment into the UK office and logistics market, specifically from Asia Pacific and Chinese investors. Record yields of sub 4% have been achieved in the City of London on two acquisitions with transactions sizes of over £1bn.

Logistics assets continue to remain an attractive asset class, as investors shy away from retail and high street into warehousing and distribution assets, as consumer shopping habits change, and there is greater emphasis on e-commerce and online shopping. In addition, the depreciation in the British Pound against the US Dollar has created an opportunity for Middle Eastern and global investors to increase their exposure to the UK.

US assets continue to attract Middle Eastern capital, as the region doesn't suffer any US Dollar currency risk. Yields in the US remain relatively stable, but with higher cost of funding, total returns are lower, but this can be offset against the reduced risk to currency volatility.

Investment Management

Our investment performance during the period was positive across most Funds and client portfolios. We have seen significant interest in our product offerings with strong net inflows of US$279m in AUMs in the first half of 2017, a growth of 29%. This was very encouraging with diversified flows continuing across our product offering.

The Rasmala Trade Finance Fund received significant investor interest on the back of strong performance. The fund specialises in providing short-term structured and/or asset-backed liquidity to companies trading real assets in the real economy and has delivered 34 consecutive months of positive returns generating an annualised return of 4.5% for investors since inception. The fund has seen interest from regional and international institutional investors as well as family offices, corporates and high net worth investors.

The team remains focused on tailoring products that offer clients real alternatives, especially with more traditional global assets looking so fully valued.

Investment Banking

In the first half of the year, the Investment Banking team successfully originated, structured and acquired Amazon's largest distribution warehouse in the UK for £61m (US$77m). The acquired property is leased to Amazon with an unexpired term of 15 years. The investment generates an annual cash dividend yield of 6.5% per annum, with an expected internal rate of return of 7% upon exit. The property extends over an area of more than one million square feet.

Rasmala also originated, structured and acquired 48 warehouses in Dubai covering over 500,000 sq. ft. (BUA) for approximately US$63m (AED 234m) in partnership with Ajman Bank and other leading Gulf investors.

The warehouses are located in Dubai Investments Park (DIP), a mixed-use industrial, commercial and residential complex to the east of Jebel Ali Free Zone (JAFZA), a major regional sea port and business hub in Dubai. The acquisition is through a sale and leaseback arrangement with a large UAE conglomerate by way of a triple net lease for a term of 7 years. These properties are sub-let to a diverse group of high quality tenants operating across different sectors. The transaction was financed through a combination of equity and Shari'a compliant financing facility, with Ajman Bank participating as a strategic seed investor and sole financier.

This transaction follows our previous acquisition of 72 warehouses so that we now own 120 warehouses in DIP covering 1.2 million square feet.

Our Investment Banking team will continue to focus on Real Estate opportunities in the UK, Europe and UAE.

Treasury and Principal Investments

We continue to manage our balance sheet on a conservative basis with significant focus on increasing liquidity in preparation for the planned tender offer which we expect to launch in Q4 2017.

Corporate Developments

At the end of last year, the Board concluded that some immediate steps needed to be taken to prepare the Group for the next phase of its development.

It was decided to further simplify our business by relinquishing our UK FCA permissions. Following a consultation process with all relevant stakeholders the Board took necessary steps to implement this decision in a careful and considered manner. The FCA has now approved our application to relinquish our UK permissions and although we are no longer an FCA regulated entity we continue to operate regulated subsidiaries as before.

Earlier this year the Board announced it was planning to distribute capital to shareholders. The Company is taking the necessary steps to prepare and is planning to launch a tender offer in Q4 2017.

A number of other steps have been taken to achieve our strategic milestones, including increasing our shareholding in Rasmala Holdings Limited to 100% and removing the restriction to conduct all business in a Shari'a compliant manner.

Outlook

The outlook for the second half of the year is broadly stable as we continue to identify investment opportunities at attractive valuations and work closely with our clients to deliver on these.

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Rasmala plc

Condensed consolidated statement of income

For the six months ended 30 June 2017 (unaudited)

	6 months to 30-Jun-17 £'000	6 months to 30-Jun-16 £'000	**Year to 31-Dec-16 £'000**
Income			
Income from financing and investing activities	**559**	650	1,550
Returns to financial institutions and customers	**(178)**	(83)	(160)
Net margin	**381**	567	1,390
Net fees and commission income	**4,189**	2,826	7,063
Net (loss)/gain from financial assets measured at fair value through profit or loss	**380**	286	542
Gain on private equity investments designated at fair value through profit or loss	**(59)**	351	(5,715)
Fair value gain on investment property	**-**	(100)	(98)
Other operating income	**1,984**	45	395
Total operating income	**6,875**	3,975	3,577
Expenses			
Staff costs	**(3,488)**	(3,298)	(6,957)
Depreciation and amortisation	**(59)**	(44)	(85)
Other operating expenses	**(4,557)**	(1,903)	(4,617)
Total expenses	**(8,104)**	(5,245)	(11,659)
Operating profit before tax	**(1,229)**	(1,270)	(8,082)
Income tax	**(51)**	8	(178)
Deferred tax	**(2)**	-	(135)
Loss from continuing operations	**(1,282)**	(1,262)	(8,395)
Loss after tax from discontinuing operations	**(31)**	-	(82)
Loss for the year	**(1,313)**	(1,262)	(8,477)
Loss attributable to:			
Owner of the Company	**(1,133)**	(941)	(7,968)
Non-controlling interest	**(180)**	(321)	(509)
	(1,313)	(1,262)	(8,477)
Earnings per share from continuing operations			
- Basic	**(3.63p)**	(3.09p)	(25.97p)
- Diluted	**(3.63p)**	(3.09p)	(25.97p)
Earnings per share from discontinuing operations			
- Basic	**(0.08p)**	0.00p	(0.21p)
- Diluted	**(0.08p)**	0.00p	(0.21p)
Earnings per share from total profit or loss attributable to the owners of the parent			
- Basic	**(3.72p)**	(3.09p)	(26.17p)
- Diluted	**(3.72p)**	(3.09p)	(26.17p)

Rasmala plc

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2017 (unaudited)

	6 months to 30-Jun-17 £'000	**6 months to 30-Jun-16 £'000**	**Year to 31-Dec-16 £'000**
Loss for the year	**(1,313)**	(1,262)	(8,477)
Items that may be reclassified subsequently to profit or loss:			
Gain on fair value of available-for-sale securities	**(31)**	317	181
Loss on fair value of available-for-sale securities	**252**	(96)	(251)
Exchange loss on net investment in foreign operations	**(606)**	(793)	(2,843)
Total comprehensive (loss) for the year	**(1,698)**	(1,834)	(11,390)
Total comprehensive (loss) attributable to:			
Owners of parent	**(1,953)**	(1,820)	(10,940)
Non-controlling interest	**255**	(14)	(450)
	(1,698)	(1,834)	(11,390)

Rasmala plc

Condensed consolidated statement of financial position

As at 30 June 2017 (unaudited)

	6 months to 30-Jun-17 £'000	6 months to 30-Jun-16 £'000	Year to 31-Dec-16 £'000
Assets			
Cash and cash equivalents	**3,555**	4,622	14,319
Financial assets measured at fair value through profit or loss	**68,305**	46,133	27,679
Available-for-sale securities	**-**	23,689	24,959
Financial assets measured at amortised cost	**1,621**	18,523	4,931
Other assets	**8,117**	10,393	12,790
Investment property	**5,375**	-	5,375
Property and equipment	**248**	334	309
Intangible assets	**9**	-	13
Goodwill	**15,440**	12,651	16,091
	102,670	116,345	106,466
Assets classified as held for sale	**48**	107	45
Total assets	**102,718**	116,452	106,511
Liabilities			
Financial liabilities measured at fair value through profit or loss	**-**	5,931	1,447
Financial liabilities measured at amortised cost	**10,705**	3,677	5,400
Income tax payable	**49**	39	110
Deferred tax payable	**317**	-	319
Other liabilities	**4,764**	4,256	5,385
	15,835	13,903	12,661
Liabilities associated with asset held for sale	**12**	128	12
Total liabilities	**15,847**	14,031	12,673
Net assets	**86,871**	102,421	93,838
Capital and reserves			
Share capital	**15,721**	15,721	15,721
Other reserves	**100,483**	103,386	103,386
Fair value reserve on available-for-sale securities	**-**	70	(221)
Foreign exchange reserve	**(5,236)**	(2,393)	(4,195)
Accumulated losses	**(25,797)**	(17,548)	(24,574)
Equity attributable to owners of parent	**85,171**	99,236	90,117
Non-controlling interest	**1,700**	3,184	3,721
Total equity	**86,871**	102,421	93,838

Rasmala plc

Condensed consolidated Cash flow statement

For the six months ended 30 June 2017 (unaudited)

	6 months to 30-Jun-17 £'000	6 months to 30-Jun-16 £'000	Year to 31-Dec-16 £'000
Cash flows from operating activities			
Operating (loss)/profit for the period	**(1,229)**	(1,270)	(8,082)
Operating loss on discontinued operations	**(31)**	-	(82)
Adjusted for:			
Unrealised loss from financial assets measured at fair value through profit or loss	**(134)**	4	(462)
Unrealised gain on private equity investments designated at fair value through profit or loss	**41**	(316)	5,765
Depreciation and amortisation	**58**	44	85
Financial assets measured at fair value through profit or loss	**(40,901)**	2,856	15,399
Available-for-sale securities	**25,180**	(1,732)	(3,294)
Financial assets measured at amortised cost	**3,387**	2,357	14,094
Other assets	**4,097**	(5,103)	(7,232)
Investment property	**-**	1,091	1,194
Financial liabilities measured at fair value through profit or loss	**(1,447)**	4,450	(34)
Financial liabilities measured at amortised cost	**6,093**	(503)	(3,022)
Other liabilities	**(574)**	(2,475)	(2,718)
Assets classified as held for sale	**(4)**	(11)	64
Liabilities associated with asset held for sale	**31**	13	(33)
Distribution made by a subsidiary	**(82)**	-	-
Cash used in operating activities	**(5,515)**	(595)	11,642
Tax paid	**(109)**	(155)	(360)
Net cash generated by/ (used in) operating activities	**(5,624)**	(750)	11,282
Cash flow from investing activities			
Payment on acquisition of a subsidiary net of cash acquired	**-**	-	(1,318)
Acquisition of non-controlling interests	**(4,994)**	-	-
Purchase of property and equipment	**(18)**	(34)	(2)
Net cash (used in)/ generated from investing activities	**(5,012)**	(34)	(1,320)
Net (decrease)/increase in cash and cash equivalents	**(10,636)**	(784)	9,962
Cash and cash equivalents at the beginning of year	**14,319**	5,406	5,406
Exchange differences on cash and cash equivalents	**(128)**	-	(1,049)
Cash and cash equivalents at the end of the year	**3,555**	4,622	14,319

Notes to the condensed consolidated interim financial statements (unaudited)

At 30 June 2017

1. Principal activities and authorisation of the financial statements

Rasmala plc (‘Company’) is an investment holding company incorporated in England on 11 January 2005.

The interim condensed consolidated financial statements of the Company and its subsidiaries (the ‘Group’) for the six months ended 30 June 2017 were authorised by the Board of Directors for issue on 29 September 2017.

The condensed consolidated financial statements of the Group as at and for the period ended 30 June 2017 are available at www.rasmala.com

2. Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

3. Subsequent events

Rasmala increased its shareholding from 76% to 100% in Rasmala Holdings Limited. The Company also received approval from the FCA to relinquish its regulatory permissions and is no longer a UK regulated entity.