



H 1 2020 R E P O R T

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CHAIRMAN'S MESSAGE



Abdulla Al Hamli — Chairman

Dear Shareholders,
We are pleased to report
Emirates REIT's half-year results 2020

The first half of 2020 has demonstrated the portfolio's resilience during challenging market conditions that have been compounded by the effects of the ongoing COVID-19 pandemic.

The cyclical down-swing in the UAE real estate market continues, as does the ongoing economic uncertainty around COVID-19. Unfortunately, the REIT, like many others, is not immune to the financial impact this is having on the local market.

Net Property Income is down 7.5% on a year-on-year basis from 2019, however liquidity remains stable with a healthy cash position of USD 31.2m.

KEY HIGHLIGHTS

- Net Property Income amounted to USD 27.3m for the six-month period ended June 30, 2020 (H1 2019: USD 29.6m)
- Fund expenses decreased by 7.7% to USD 8.2m (H1 2019: USD 8.8m)
- Allowance for expected credit losses increased to USD 3.8m from USD 0.5m on year-on-year basis. Net Asset Value stands at USD 398m (AED 1.46bn). This decline is largely attributed to valuation losses in 1HY 2020 a sign of the continued uncertainty around COVID-19
- EBITDA decreased from USD 20.2m to USD 15.4m in H1 2020
- Net cash generated from operating activities decreased by 32.4% to USD 12.6m (H1 2019: USD 18.6m)
- LTV has risen from 47.1% to 50.9% year-on-year following unrealised revaluation losses of USD 70.9m booked during this accounting period

FINANCIAL ACHIEVEMENTS

In response to the ongoing economic impact of the COVID-19 pandemic on market conditions, the REIT continues to focus on operational efficiency, asset enhancement and tenant retention.

Despite these unprecedented challenges, the portfolio's occupancy remains steady at 71%, a slight decrease from 73% at the start of the year.

The REIT has maintained these strong occupancy levels due to its proactive collaboration with tenants, offering case by case adjustments and provisions for those who have been seriously financially affected by the outbreak. The REIT has so far provided relief through flexible rent deferrals, as well as by offering early lease renewals on favourable terms. As a result, due to the renewal of several long-term leases, the weighted average unexpired lease terms (WAULT) has increased to 8.4 years.

Furthermore, the REIT has managed to retain a comparatively sizeable cash balance and did not take additional debt over the course of the past six months, in spite of considerable market pressures.

In order to preserve its cash position, the REIT issued the final dividend payment for FY 2019 by way of an allotment and distribution of newly issued ordinary shares.

OPERATIONAL UPDATES

As you will be aware, in July, the REIT Manager launched a comprehensive review of the strategic options for the REIT, including a potential de-listing from Nasdaq Dubai, and appointed Houlihan Lokey to lead the review. Current conditions require a long-term vision and strategy, and we are confident the review will lead to long-term benefits for investors.

The REIT is fully committed to enhancing operational efficiency to reach optimal occupancy rates, maximising rental income and securing maximum returns for investors. The H1 results demonstrate the resilience of the REIT, and we believe it is well placed to take advantage of the opportunities, created by the current market conditions, over the next 12-18 months.

Abdulla Al Hamli
Chairman

H1 2020 IN BRIEF

PORTFOLIO VALUE

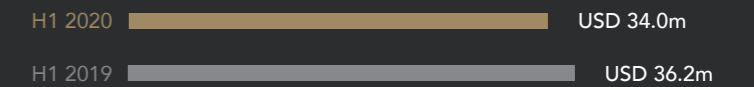
USD **858m**
AED 3.2bn

NET ASSET VALUE

USD **398m**
AED 1.5bn

TOTAL PROPERTY INCOME

(6.1%)



NET LEASABLE AREA

2.4m SQ. FT.
219,831 sq m

WEIGHTED AVERAGE LEASE EXPIRY

8.4 YEARS

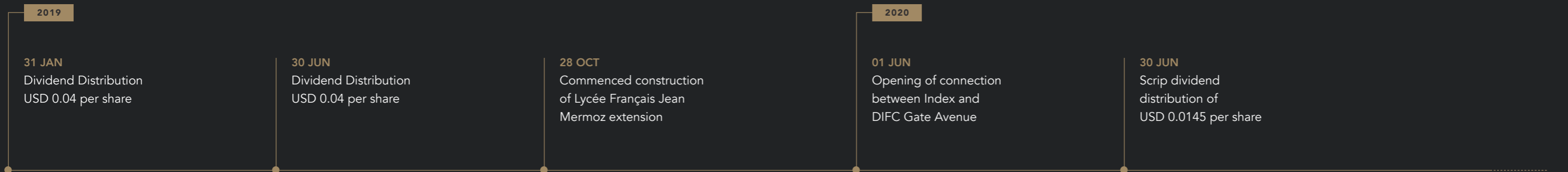
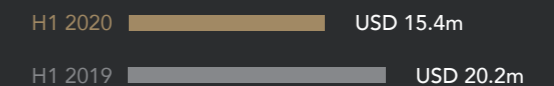
NET PROPERTY INCOME

(7.5%)



EBITDA

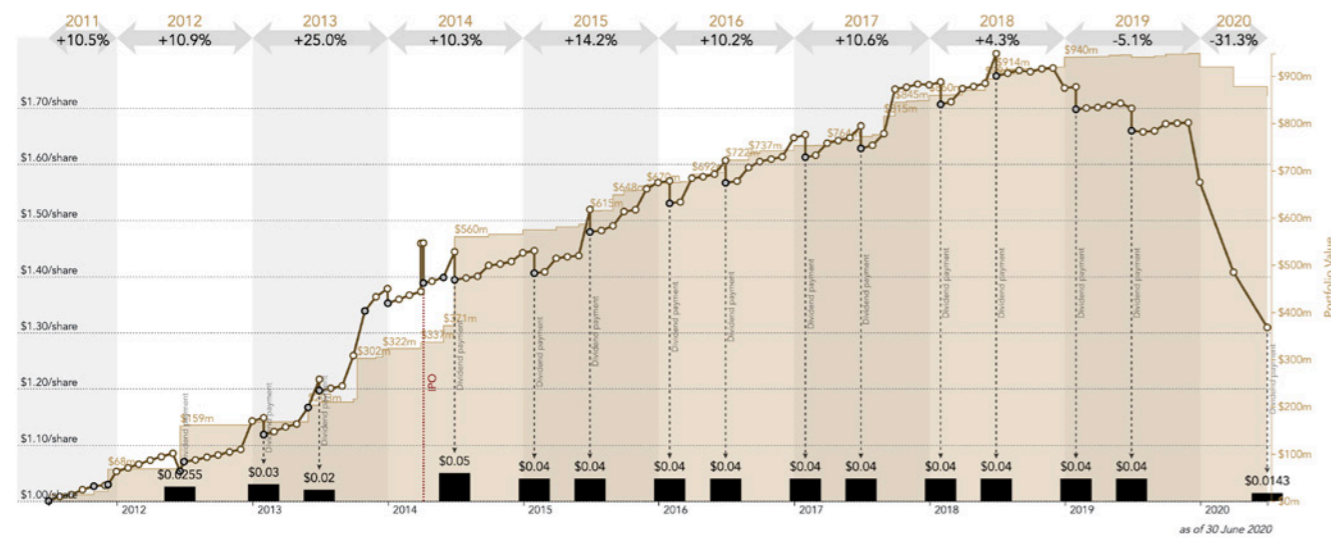
(23.8%)



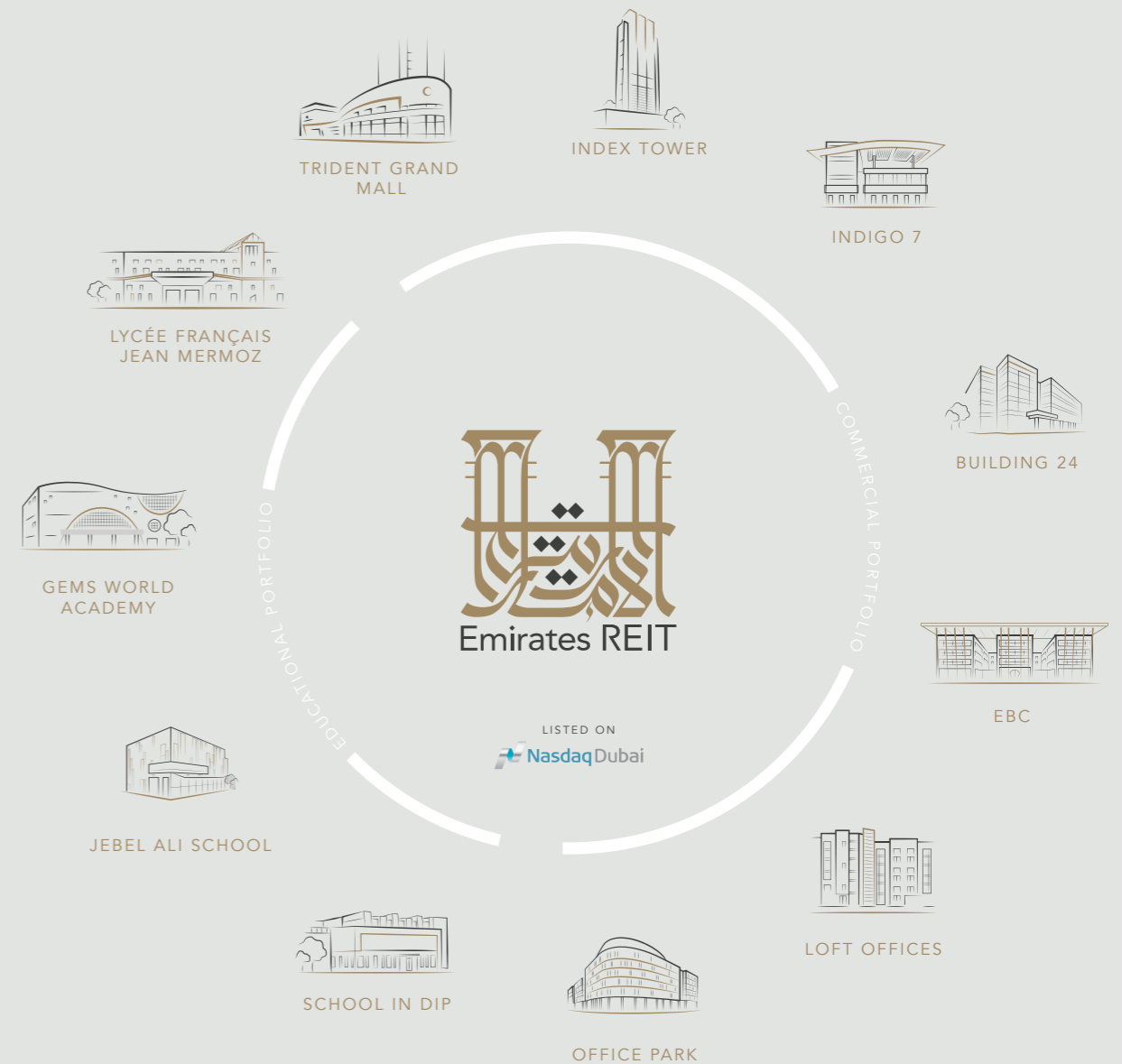
REIT IN BRIEF

- The first and largest REIT in the UAE
- Focus on income-producing assets with attractive investment fundamentals
- A good degree of visibility on existing income and contracted rental organic growth opportunities within current portfolio
- Experienced REIT Manager with detailed knowledge of the UAE real estate sector
- Active asset management and enhancement of the income profile of the properties
- Regulated REIT Manager with established corporate governance framework
- Regulatory highlights: minimum of 80% of the net income distributed, gearing limit of 65% of Gross Asset Value, development activities limited to 30% of portfolio

PERFORMANCE



EMIRATES REIT PORTFOLIO

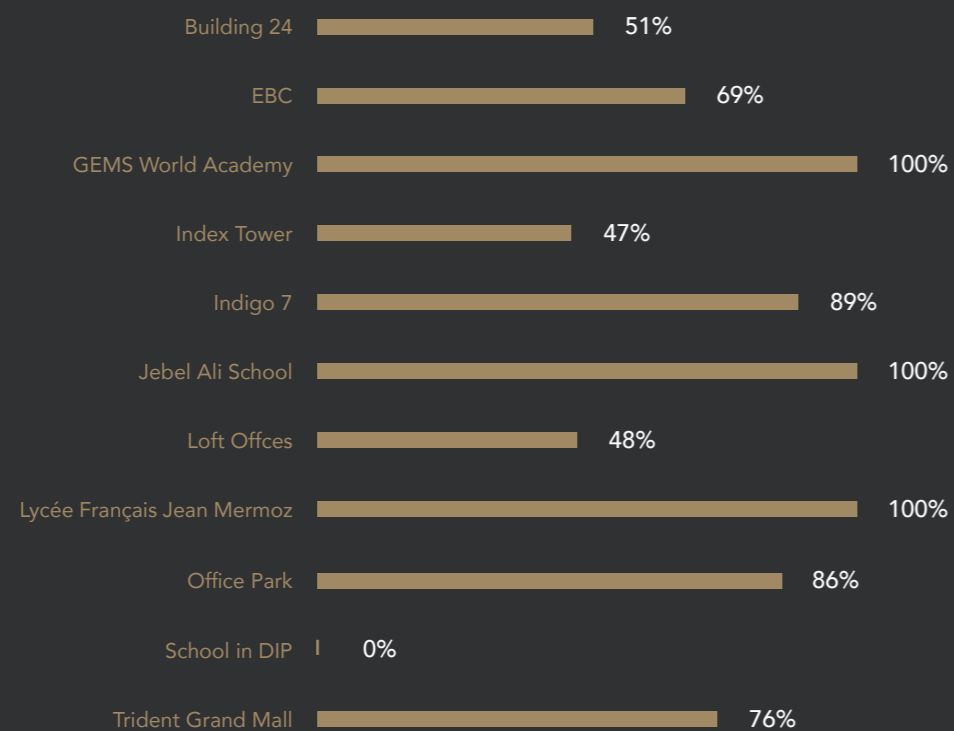


PORTFOLIO OCCUPANCY

TOTAL OCCUPANCY

71%

77% excluding School in DIP



INCOME AND EARNINGS

Period ended 30 June

USD '000	2020	2019	VARIANCE	% VARIANCE
Total property income	34,003	36,206	(2,203)	(6.1%)
Net property income	27,323	29,553	(2,230)	(7.5%)
Operating profit	15,381	20,178	(4,795)	(23.8%)
Net finance cost ¹	(14,496)	(14,008)	(489)	+3.5%
Unrealised gain/(loss) on revaluation ¹	(70,930)	(5,037)	(65,893)	(13x)
Net profit	(70,045)	1,133	(71,178)	(63x)
EPS (USD)	(0.24)	0.0038	(0.2438)	(63x)

¹ Including impact of IFRS 16.

STATEMENT OF FINANCIAL POSITION

USD '000	AS AT 30 JUNE 2020	AS AT 31 DEC 2019	VARIANCE	% VARIANCE
Investment property	857,966	919,440	(61,474)	(6.7%)
Total assets	984,362	1,058,806	(74,444)	(7.0%)
Equity	397,924	469,710	(71,787)	(15.3%)
Liabilities	586,438	589,096	(2,659)	(0.5%)
NAV per share (USD)	1.31	1.57	(0.26)	(16.5%)
LTV	50.9%	47.9%	+3.0%	+3.0%
Net cash from operating activities	12,563	18,577	(6,014)	(32.4%)



Commercial

Index Tower

Office Park

Loft Offices

Building 24

Indigo 7

European Business Centre

Trident Grand Mall

Education

Lycée Français Jean Mermoz

GEMS World Academy

Jebel Ali School

School in DIP

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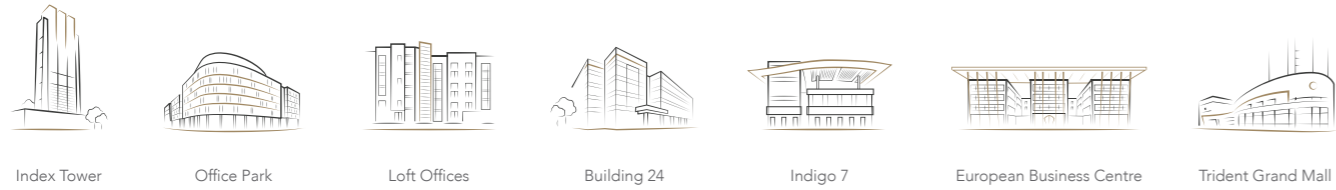
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COMMERCIAL



VALUATION

73%

SHARE OF PORTFOLIO

NLA

58%

SHARE OF PORTFOLIO

INCOME

70%

SHARE OF PORTFOLIO

Emirates REIT's commercial portfolio comprises of 7 office and retail properties located in prominent locations in Dubai's most sought after special economic zones and key gateway locations: Index Tower, Office Park, Loft Offices, Building 24, Indigo 7, European Business Centre and Trident Grand Mall.

As at 30 June 2020, the value of the commercial portfolio totalled USD 636.9m*.

Index Tower

- Occupancy stands at 47%
- Lease term increased from 1.4 years to 2.4 years with renewal of larger tenant

Office Park

- Occupancy stands at 86%
- Commenced renovation of common areas
- Upgrade of access controls

Loft Offices

- Occupancy stands at 66% at Loft Offices 1 and 2
- Completed exterior and facade painting works
- Pursuing re-purpose of Loft Offices 3

European Business Centre

- European Business Centre(EBC) occupancy stands at 69% with 10,640 sqft released from business centre operator
- Completion of metro works and road network surrounding EBC
- Opportunity to re-position retail space post improvement

Building 24

- Occupancy stands at 51%
- Discussions with TECOM in relation to direct management

Trident Grand Mall

- Occupancy stands at 76%
- Recently renewed 1,900 sqft tenant with a 5 year lease term

* As per Independent Valuation Report





INDEX TOWER



Located in the Dubai International Financial Centre (DIFC) area, Index Tower is a breathtaking and iconic 80-storey building. Built by award-winning architects Foster & Partners, this tower has won accolades including being named “Best Tall Building Middle East & Africa” by the Council on Tall Buildings and Urban Habitat in 2011.

Completed in 2010, the building is a high-end, mixed-use property featuring residential, office and retail components.

The REIT freehold interests in Index Tower were acquired in various phases during 2013, 2014 and 2018, now consisting of 367,285 sq. ft. of office space, 1,561 car park spaces, and 61,428 sq. ft. of retail space. Index provides a unique offering with 5 distinct products, with fully fitted and furnished offices, that set a high standard for select tenants and sets them a notch above the rest. Commercial floors at Index also offer options for Core and Shell, Cat A and retail thus offering a strong value proposition in DIFC.

The property's prime location, the integrated Index mall and the opening to DIFC Gate Avenue creates a vibrant destination in the heart of the city.



OFFICE PARK



Office Park was completed in 2008, and Emirates REIT acquired the freehold interest in the property in June 2012.

The building is located in the popular and well established Knowledge Village, the world's only free zone campus dedicated to human resources management, professional learning excellence. The community provides facilities for corporates and is home to over 400 companies and institutions.

The premises is arranged as five interconnected blocks, in an L-shape, with four levels of parking and large floor spaces from 600 sq. ft. to 60,000 sq. ft., able to accommodate a wide variety of tenant needs. The property enjoys strong occupancy levels and is particularly attractive to international companies. Uber and Coca-Cola are amongst the primary tenants of the building.

The Office Park ground floor retail area continues to expand as a vibrant hub for the surrounding community, featuring restaurants, coffee shops, a supermarket and other convenience stores.



LOFT OFFICES



The Loft Offices is a cluster of three low-rise commercial buildings in Dubai Media City (DMC). DMC was launched in January 2001 to establish Dubai as the region's leading media hub. It encompasses a media community of over 20,000 people working in over 2,000 regional and international media companies that are pushing the limits of creativity every day.

The property is a unique proposition with 131 duplex office spaces, featuring a central courtyard and retail space; thus creating a unique and ideal environment for creative companies and startups. Acquired on a freehold ownership title by Emirates REIT in December 2011, the premises is comprised of a total leasable area of 163,869 sq. ft.

Equitativa is actively managing the property to improve operational efficiencies while enhancing marketability and attracting new tenants. A renovation has commenced to fully renovated lobbies and common areas. The REIT has just completed the renovation of the exterior areas and the re-painting of the external facades with a strong identity for each building enhancing the attractiveness of Loft Offices. Lofts 3 is in the process of being re-purposed to accommodate larger office tenants.



BUILDING 24



Building 24 is a low-rise building located in a prime area of Dubai Media City (DMC).

DMC was established as a regional hub for media organisations including news agencies, publishing, online media, advertising, production, and broadcast facilities. Dubai Media City has become a significant hub for the media industry in the GCC and the Middle East, with more than 2,000 companies.

Building 24 is part of phase 1 of Media City, built in 2005 and acquired by Emirates REIT in 2011 offering 57,334 sq. ft. leasable area, over three floors, with turn-key offices in flexible sizes, as well as retail facilities.

Occupancy at Building 24 has been impacted by an increase in new properties in Media City. The REIT Manager is in discussions with Tecom in relation to the PMLA and management of the property.

Equitativa is active in monitoring and identifying ways to improve performance further by building efficiencies and optimising rent opportunities.



INDIGO 7



Indigo 7 is a mixed-use retail strip mall and office building, located on the highly desirable Sheikh Zayed Road, in the Al Manara district of Dubai.

The asset is a low-rise building constructed in 2009 and acquired by Emirates REIT in September 2011. The property enjoys excellent visibility and features 20,476 sq. ft. of prime retail and office space.

In addition to the visibility, the proximity to the Al Manara residential district makes the property a desirable destination for retail, commercial and F&B alike.



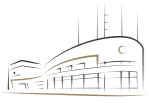
EUROPEAN BUSINESS CENTRE



Emirates REIT acquired the leasehold interest in the European Business Centre (EBC) in Dubai Investments Park (DIP) in August 2017.

EBC is the ideal location for companies willing to set up their operations in a prominent business community. The property is a modern mixed-use office and retail development arranged over four levels – comprised of 198,472 sq. ft. of office space and 75,689 sq. ft. of prime retail space. The premises accommodates turn-key offices in flexible sizes, as well as in-house retail facilities, serviced offices that offer meeting and conference rooms, logistical facilities, basement parking, and 'green building' amenities. This is a prime commercial asset in a secure and upcoming location.

Equitativa has initiated the repositioning of the property and the tenant mix. The building directly benefits from the improvements in the area, especially following the completion of the adjacent metro station.



TRIDENT GRAND MALL



Trident Grand Mall is a two-floor retail component of Trident Grand Residence in Dubai Marina's popular Jumeirah Beach Residence mixed-use residential and retail development.

Jumeirah Beach Residence (also known as JBR) is a destination in its own merits, built on 1.7 kilometres long waterfront featuring world-class hotels, residences and commercial developments.

The asset was acquired in May 2014 on a freehold ownership title. The mall features 22 retail units over two floors and 164 basement parking spaces.

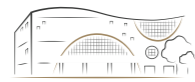
A soft refurbishment of common areas on the ground floor is set to commence during Q4 2020.



EDUCATION



Lycée Français Jean Mermoz



GEMS World



Jebel Ali School



School in DIP

VALUATION

27%

SHARE OF PORTFOLIO

NLA

42%

SHARE OF PORTFOLIO

INCOME

30%

SHARE OF PORTFOLIO

Emirates REIT education portfolio comprises of 4 school complexes.

As of 30 June 2020, the market value of the education portfolio totalled USD 237.6m.*

All contracts are triple net leases with school operators having full control of the premises, and responsibility for the maintenance and insurance of the buildings.

The school in DIP remains vacant. Advanced discussions are in progress with various operators interested in leasing the school.

The extension of Lycée Français Jean Mermoz is now being completed and will cater for growth and accommodate for secondary students in 2020.

The REIT is currently in litigation with Jebel Ali School operator due to non-payment of rent.

* As per Independent Valuation Report





LYCÉE FRANÇAIS JEAN MERMOZ

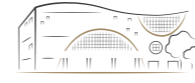


Emirates REIT acquired Lycée Français Jean Mermoz (LFJM) in May 2018 on a sale and leaseback basis.

The campus is conveniently located in the centre of Dubai's Al Quoz district, with easy access to Business Bay, Jumeirah and Al Barsha neighbourhoods. The school opened in September 2017 and currently provides French curriculum education.

The property development includes a built-to-suit component to the operator's specifications, which is programmed and aligned with the ramp-up of the school.

The phase 2 extension works has now been completed and will allow for secondary classrooms for the 2020 academic year.



GEMS WORLD ACADEMY



GEMS World Academy, Dubai, is an education complex located on Al Khail Road, in Al Barsha South, an upcoming and developing residential district.

Founded in 2007, GEMS World Academy is an international private school, offering education to students ranging from KG1 to Grade 12.

The school is managed and operated by the reputable GEMS Education, one of the largest operator of kindergarten to Grade 12 schools in the world, with a network of over 70 schools in over a dozen countries.

Emirates REIT acquired the property in October 2013 with the benefit of a long leasehold title.



JEBEL ALI SCHOOL



The Jebel Ali School is a build-to-suit development for, and on behalf, of Jebel Ali School – a British curriculum school, educating children in Dubai since 1977 and providing independent, high-quality not-for-profit education in the UAE.

The campus consists of state of the art facilities, including an auditorium, indoor sports centre, a 25m pool, science & technology laboratories, a lecture theatre, art, drama & music facilities and numerous sports fields.

The campus was built on a 358,454 sq. ft. plot in the Akoya Development of Dubai and in August 2015. At its full capacity, the school is set to accommodate 1,800 students.



SCHOOL IN DIP



Emirates REIT further expanded its investments in the education sector in 2016 by acquiring a leasehold interest in a 269,098 sq. ft. plot in Dubai Investments Park and developed a new school, built to the requirements of international operators and a capacity for up to 1,500 students.

The school is conveniently located in Dubai Investments Park (DIP). DIP is a 32 million sq. m development with industrial, commercial, residential and educational zones. DIP is designed to become one of the most environment-friendly developments in the region providing a high-quality residential area while it cements its position as the region's premier business and industrial park.



03
GOVERNANCE

Equitativa's Report

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EQUITATIVA'S REPORT

The Directors present their report for the six months ended 30 June 2020.

SHARE CAPITAL

Emirates REIT (CEIC) PLC, the "REIT" or "Emirates REIT", is a closed-ended Shari'a compliant investment company incorporated in DIFC, registered by the DFSA as a Domestic Public Fund with license number CL0997. It operates under the laws and regulations of the DIFC and DFSA, and in accordance with the principles of Shari'a.

At 30 June 2020, the REIT's issued share capital comprised a total of 303,965,050 ordinary shares with a market value of USD 0.185 each. The REIT has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regards to control of the company. There are no restrictions on the size of a holding.

REIT MANAGER

Emirates REIT is managed by Equitativa (Dubai) Limited ("Equitativa", the "REIT Manager"), a limited company incorporated in DIFC and regulated by the DFSA since 2010. Equitativa is part of a group of companies that specializes in creating and managing innovative financial products in Emerging Markets.

INVESTMENT OBJECTIVE

Emirates REIT's key investment objective is to generate stable Shari'a compliant dividend distributions to Shareholders, long-term rental growth and capital appreciation.

INVESTMENT POLICY

The type of investments which can be undertaken by the REIT currently include investments in real property, property related assets, shares or units in another property fund and up to a maximum of 40% in cash, government or public securities.

The REIT has in place a strict process for any acquisition or disposal of assets, including but not limited to the consent of the Investment Board and the Shari'a Supervisory Board. In case of a Related Party Transaction, the Oversight Board will also provide its consent.

SPECIAL DECREES

In February 2013, the REIT was granted a Ruler's Decree which allowed the REIT to invest, through its onshore Dubai Branch, in properties in onshore Dubai. In October 2016, the Equitativa group was granted an Emiri Decree by the Ruler of the Emirate of Ras Al Khaimah, allowing any REIT managed by the group to invest in properties onshore in Ras Al Khaimah.

MANAGEMENT STRATEGY

In order to achieve its objectives, the REIT has adopted the following key strategies:

Disciplined Acquisition Strategy

The REIT will continue to pursue acquisitions with the aim of improving income stability and overall returns. Since the incorporation of the REIT, Equitativa's team has evaluated over 1,600 investment opportunities thereby ensuring their knowledge of the market is comprehensive and allows timely reactions to changes in market conditions.

Active Asset Management Strategy

The Portfolio of the REIT is actively managed, with the aim of delivering regular returns to the Shareholders. Active management is focused on enhancing rental revenues and improving operational efficiencies which in turn may contribute to enhanced market valuations.

Equitativa works closely with the property managers appointed to the buildings to optimise the REIT's portfolio. Equitativa applies the following key operating and management principles:

- Monitor the performance of the properties;
- Optimise the net leasable area of the properties where possible;
- Establishing close relationships and proactively manage leases;
- Increase rental rates and property yields and;
- Enhance the overall operating efficiency of the Portfolio.

RISK PROFILE

The REIT's risk appetite is conservative and is not expected to increase as a result of any projected strategic changes in the foreseeable future. The REIT seeks to adopt a prudent capital and financial management strategy. The REIT's continued performance is subject to, amongst other things, the conditions of the property market in the UAE and the continued impact of Covid-19 which can affect both the value and the rental income of properties in the portfolio. Any deterioration in the property market could result in decline in rental incomes, occupancy and value of the properties. It may also weaken the REIT's ability to obtain financing for new investments. These factors may have a material adverse effect on the REIT's financial condition, business, prospects and results of operations.

The REIT will operate within the parameters defined by its Boards and as guided by the Shareholders, at all times conforming to the investment policy.

RISK MANAGEMENT STRATEGY

The key pillars for the Capital and Risk Management Strategy include:

- managing the risks associated with the properties by balancing the Portfolio and focusing on acquiring properties of best fit with attractive lease terms and strong covenants;

- using Shari'a compliant debt financing as an attempt to provide additional capital, improving Shareholder returns over the long term (where such Shari'a debt financing is appropriate) and ensuring that the gearing does not exceed the regulatory threshold;
- continually revisiting lines of credit and assessing a variety of possible financing structures and;
- actively considering opportunities to raise funds through various means, including but not limited to, the issue of new Shares.

The REIT Manager is not aware of any relevant audit information of which the REIT's auditor is not aware and has taken all reasonable steps to become aware of such relevant audit information.

PORTFOLIO RISK

The Portfolio has diversification across asset classes and long-term leases with a weighted average lease term of 8.4 years as at 30 June 2020. Notably, with 8% of the leases expiring by end of 2021 and 7% by the following year.

SHAREHOLDING

The maximum limit of 49% of non-GCC ownership is monitored by both Equitativa and Nasdaq Dubai. Public notification via the regulatory announcement platform will be made if the non-GCC shareholding nears 49%. At 30 June 2020, the non-GCC shareholding was at 28.11%.

As at 30 June 2020, the following Shareholders held 5% or more of the REIT's issued share capital:

	ISSUED SHARE CAPITAL (%)
Dubai Islamic Bank PJSC	15.70%
Vintage Bullion	11.70%
Dubai Properties Group LLC	9.90%

Connected Person disclosure was made on 12 May 2020.

RELATED PARTY TRANSACTIONS

It should be noted that the Related Parties are defined differently by the DFSA and the IFRS. To review the Related Parties Disclosure, as defined by the IFRS, please refer to our Financial Statements.

All Related Party Transactions were based on existing approved contracts/lease agreements in accordance with the applicable rules. The nature and identity of Related Party Transactions based on existing approved contracts/lease agreements are shown below.

RELATED PARTY	TRANSACTION
REIT Manager	Management & Performance Fee
REIT Manager	Rental & Service Income
Dubai Islamic Bank	Rental Income, Service Charges and Islamic Financing
Dar Al Sharia Consultancy	Professional Fees
Oversight Board	Professional Fees

IRREGULAR TRADING ACTIVITY

In February and March 2020, the REIT Manager filled complaints with the DFSA and Nasdaq Dubai regarding irregular trading activities observed in the Emirates REIT Shares. Subsequently, the REIT has filed an application in the DIFC Courts seeking an order for the disclosure of the identity of the traders behind the irregular trades.

COVID-19

Due to the Coronavirus pandemic the REIT is proactively collaborating with tenants and offering case by case adjustments for affected tenants. The REIT has provided relief through flexibility and rent deferrals as well as offering lease renewals on favourable terms. However, the REIT is not offering across the board rent waivers or rent free periods.

2020 ANNUAL GENERAL MEETING

The 2020 Annual General Meeting ("AGM") was held on Monday 22 June 2020. The following is a summary of the matters that were approved during the AGM. For further information, please refer to the 2020 AGM pack, available on our website.

Annual Report and Accounts 2019

The Shareholders received and approved the 2019 Annual Report and the accounts for the REIT for the year ended 31 December 2019, together with the director's report and auditor's report on those accounts.

Final Dividend

The Shareholders approved the declaration of the final dividend of USD 0.0145 per ordinary share, an aggregate of USD 4.34 million, for the financial year ending December 2019, with such final dividend satisfied wholly, and distributed by way of an allotment and distribution of newly issued ordinary shares. The Shareholders approved the authority of the Board to allot and issue the newly issued ordinary shares in relation to the Scrip Dividend.

Investment Board

In accordance with the REIT's constitution and pursuant to DFSA regulations, the appointment of Mr. Abdulla Al Hashemi, Captain David Savy and Mr. Mohamed Sharaf all existing members of the REIT's Investment Board, was extended, until the conclusion of the 2021 AGM.

Auditor Re-appointment

The appointment of Deloitte & Touche (M.E) as Auditors to the REIT was extended until closing of the 2021 AGM.

Future Related Party Transactions

The Shareholders did not pre-approve the REIT Manager on behalf of the REIT to enter into Related Party Transactions for the acquisition or sale of Real Property in the United Arab Emirates

pursuant to the DFSA CIR Rule 13.4.11A and 8.3.2, therefore requiring the REIT Manager to issue circulars and or obtain Shareholder approval prior to entering such Transactions.

Interim Dividend

The Shareholders authorized the REIT Manager to arrange the payment of interim dividends of the REIT to its Shareholders, subject to the REIT having sufficient retained earnings to pay its debts as they become due immediately after the dividend is paid.

Purchase of Own Shares

The Shareholders authorised the REIT to make one or more market purchase of its ordinary shares, provided, that:

- the number of ordinary shares which may be purchased in any given period and the price which may be paid for such ordinary shares shall be in accordance with the rules of the Dubai Financial Services Authority and Nasdaq Dubai, and any conditions or restrictions imposed by the Dubai Financial Services Authority and applicable law;
- this authority shall expire on the conclusion of the next Annual General Meeting of the REIT;
- the REIT may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract and;
- the REIT seeks approval to purchase a limited number of its shares. Purchasing its own shares is subject to the prior written approval of the DFSA. Following DFSA approval, the REIT Manager would exercise the right to purchase the shares only in circumstances and on such terms that the REIT Manager believes to be in the best interest of the Shareholders.

POST PERIOD EVENTS

Media allegations and regulatory investigation

In mid July an Article appeared regarding allegations made by some Shareholders regarding the REIT Manager. The REIT Manager responded with a press release dated 14 July 2020. Subsequently, the DFSA informed the REIT Manager that it was conducting an investigation into certain matters that had been raised in the Article pertaining to specifically: the DFSA's Collective Investment Rule 13.4.22 (on valuation); the DFSA's General Module Rule 4.2.6 (Principle 6 on information and Interests); and the DFSA's General Module - Rule 4.2.11 (Principle 11 on corporate governance).

Strategic Review

In July the REIT Manager launched a comprehensive review of the strategic options for the REIT, including a potential de-listing from Nasdaq Dubai and appointed Houlihan Lokey to lead the review. As part of the review, all directors and employees of both Equitativa and Emirates REIT were permitted to purchase shares of the REIT.

CORPORATE GOVERNANCE

The REIT's corporate governance framework includes the following committees and boards:

MANAGEMENT BOARD

The Management Board is responsible for guiding the REIT in its day to day operations and expanding and optimising the REIT's Portfolio. It is comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman) and Ms. Magali Mouquet (Executive Director).

INVESTMENT BOARD

The Investment Board is responsible for overseeing the implementation of the REIT's investment strategy ensuring its adequacy and appropriateness. Furthermore, the Investment Board reviews and consents to all acquisitions and disposals.

On 30th June 2020, the Investment Board comprised of Mr. Mohamed Sharaf , Mr. David Savy and Mr. Abdulla Al Hashemi.

Mr. David Savy, Mr. Abdulla Al Hashemi and Mr. Mohamed Sharaf were re-appointed for another year at the 2020 AGM.

OVERSIGHT BOARD

The Oversight Board is responsible for reviewing and advising the Management Board on Equitativa's internal systems and controls, fund properties' safe keeping, risk management and compliance with the Laws, Rules and Constitution of the REIT.

On 30th June 2020 the Oversight Board was comprised of Mr. Suresh Kumar, Mr. Fahad Kazim and Mr. Mustafa Al Hashimi.

ADVISORY BOARD

The Advisory Board provides expert strategic advice and general views and assistance to the REIT on the current state of the real estate market, together with opinions on recent trends and developments.

The Advisory Board members can also provide specific ad-hoc advice in relation to various projects, as needed.

It is comprised of Mr. Khalid Al Malik, Mr. Michael Wunderbaldinger and Mr. Kunal Bansal.

SHARI'A BOARD

The Shari'a Supervisory Board ensures compliance by the REIT with Shari'a principles and where possible, advises, guides and provides assistance in the development and structuring of Shari'a compliant transactions as well as developing the REIT's business in line with best Shari'a practices.

It is comprised of Dr. Mohamed Abdul Hakim Zoeir, Mr. Mian Muhammad Nazir and Mr. Fazal Rahim Abdul Rahim.



SHARI'A COMPLIANCE CERTIFICATE

Issued by the Shari'a Supervisory Board of Emirates REIT (CEIC) PLC (The "REIT") as at 30 June 2020

SUBJECT OF THIS CERTIFICATE

This certificate is being issued by the Shari'a Supervisory Board of the REIT with regard to the Shari'a compliance of the REIT.

SHARI'A SUMMARY OF THE REIT

The REIT is the first Shari'a compliant real estate investment trust incorporated within the DIFC and regulated by the DFSA under the CIR Rules as a public Fund. The REIT's property portfolio currently consists of eleven properties, all of which are located in the Emirate of Dubai, consisting of a mixture of office, retail, educational and car parking properties.

The REIT has a Shari'a Supervisory Board, which advises the REIT pursuant to IFR Rule 6.2.1(2) and provides on-going and continuous supervision of and adjudication in all Shari'a matters for the REIT.

The Shari'a Supervisory Board has final authority with regard to the Shari'a compliance of all business and activities of the REIT and the audit of its investment records for Shari'a compliance. The assessment of the Shari'a Supervisory Board with regard to Shari'a compliance of all business and investment activities of the REIT is binding on the REIT and the Shareholders in terms of Shari'a compliance.

Further to the clause above, the Sharia Supervisory Board also has oversight on the Sharia audit of the REIT, which is conducted

semi-annually (the "Sharia Audit"). Pursuant to the Sharia Audit, the Sharia Supervisory Board confirms its findings and renders its opinion on the financials, activities and transactions performed by the REIT (including but not limited to (i) the properties acquired, leased and managed by the REIT; (ii) usage of the properties owned by the REIT (the "Activities and Transactions") and financials during the year comply with principles of Sharia (as interpreted by the members of the Sharia Supervisory Board) and the Fatawa of the Sharia Supervisory Board.

REFERENCE FOR THIS CERTIFICATE

The Shari'a Supervisory Board of the REIT has examined the Half-Yearly Report of Shari'a Review conducted by Dar Al Shari'a Limited (the "Dar Al Shari'a") on the REIT for the period commencing from 1 Jan 2020 and ending on 30 June 2020 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

SHARIA REVIEW OF THE REIT BY THE SHARIA SUPERVISORY BOARD

We, the Shari'a Supervisory Board of the REIT hereby provide as follows:

- a. We have reviewed the Shari'a Review Report submitted by Dar Al Shari'a covering the various Activities and Transactions of the REIT and evaluated the observations therein for the purpose of this Certificate.
- b. We have reviewed the principles followed and contracts related to Activities and Transactions undertaken by the REIT relying on the Shari'a Review Report in order to express an opinion as to whether the REIT has undertaken its Activities and Transactions in accordance with Principles of Shari'a and the specific Fatawa, resolutions and guidelines issued by us.

PRONOUNCEMENT BY SHARI'A SUPERVISORY BOARD OF THE REIT

We, the Shari'a Supervisory Board of the REIT, as of 30 June 2020, hereby pronounce our opinion as follows:

- a. The Activities and Transactions executed by the REIT during the period commencing from 1 Jan 2020 and ending on 30 June 2020 (as reviewed by Dar Al Shari'a pursuant to the Shari'a Review Report) were carried out in accordance with the rules and principles of Shari'a.
- b. The distribution of profits and losses complies with the basis approved by us in accordance with the principles of Shari'a.
- c. All income achieved from the Activities and Transactions were in line with principles of Shari'a.
- d. All of the tenants of the properties currently owned by the REIT are in line with the principles of Shari'a.
- e. All contracts, including leases are in accordance with the principles of Shari'a.
- f. Since the management of the REIT is not authorized to pay Zakat directly, the responsibility of paying Zakat is that of the shareholders.

We ask Allah, the Most High, Most Capable to grant the REIT management the consistency on the track of welfare and integrity.



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REVIEW REPORT ON CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF EMIRATES REIT (CEIC) PLC

INTRODUCTION

We have reviewed the accompanying condensed interim consolidated statement of financial position of Emirates REIT PLC. (the "Group") as of June 30, 2020 and the related condensed interim consolidated statements comprehensive income, changes in equity and cash flows for the six months period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting' as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB.

EMPHASIS OF A MATTER

We draw attention to Note 6 of the interim condensed consolidated financial information, which describes that the fair value of investment property categorized under Level 3 of the fair value hierarchy has been determined using the capitalization rate method and that the forecasted net present value of future earnings, which is an input in the capitalization rate method, has been adjusted for the expected future negative effects of current market conditions..

Our conclusion is not modified in respect of this matter.

Deloitte & Touche (M.E.)
Dubai, United Arab Emirates

31 August 2020

EMIRATES REIT (CEIC) PLC

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			AS AT 30 JUNE 2020	AS AT 31 DEC 2019	
		NOTE	USD '000 UNAUDITED	USD '000 AUDITED	
ASSETS	Non-current assets				
	Investment property	6	857,966	919,440	
	Right-of-use assets		52,401	53,265	
	Trade and other receivables	7	29,709	26,538	
			940,076	999,243	
	Current assets				
	Trade and other receivables	7	13,002	11,131	
	Cash and cash equivalents	8	31,284	48,432	
			44,286	59,563	
		Total assets		984,362	1,058,806
EQUITY	Share capital	9	303,966	299,621	
	Share premium	9	59,393	59,393	
	Cash flow hedging reserve		(2,434)	(693)	
	Retained earnings		36,999	111,389	
	Total equity		397,924	469,710	
LIABILITIES	Non-current liabilities				
	Sukuk financing instrument	10	398,579	398,290	
	Islamic financing	11	87,624	95,915	
	Lease liability		50,813	51,138	
	Derivative financial instruments		2,434	693	
			539,450	546,036	
	Current liabilities				
	Islamic financing	11	14,872	13,191	
	Lease liability		3,417	3,394	
	Trade and other payables	12	28,699	26,475	
			46,988	43,060	
	Total liabilities		586,438	589,096	
		Total equity and liabilities		984,362	1,058,806
		Net asset value (USD)		397,924,000	469,710,000
	Number of shares		303,965,050	299,620,541	
	Net asset value USD per share		1.31	1.57	

This condensed interim consolidated financial information was approved by the Board of Directors of Equitativa (Dubai) Limited as the sole director of the Group on 31 August 2020 and signed on their behalf by:

Sylvain Vieujot
Executive Deputy Chairman

Sheikh Muhammed Moeen
Director Finance

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE	
		2020	2019
		USD'000 UNAUDITED	USD'000 UNAUDITED
Rental income		29,844	30,968
Service fee income		4,008	4,964
Other property income		151	274
		34,003	36,206
Property operating expenses		(6,680)	(6,653)
Net property income		27,323	29,553
Expenses			
Management and performance fee	15	(7,467)	(7,855)
Board fees		(125)	(197)
Allowance for expected credit loss		(3,789)	(545)
Other expenses		(561)	(778)
Operating Profit		15,381	20,178
Finance income/(costs)			
Finance costs	16	(14,793)	(14,008)
Finance income	16	297	—
Net finance costs		(14,496)	(14,008)
Profit before fair valuation of investment properties		885	6,170
Net unrealised loss on revaluation	6	(70,930)	(5,037)
(Loss)/profit for the period		(70,045)	1,133
Fair value adjustments on cash flow hedges	6	(1,741)	—
(Loss)/profit and total comprehensive income for the period		(71,786)	1,133
Earnings Per Share			
Basic and diluted (loss)/earnings per share (USD)	17	(0.240)	0.004

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL	SHARE PREMIUM	CASH FLOW HEDGING RESERVE	RETAINED EARNINGS	TOTAL
		USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
At 1 January 2019		299,621	59,393	—	160,990	520,004
Comprehensive income						
Profit and total comprehensive income for the period.		—	—	—	1,133	1,133
Transactions with shareholders						
Cash dividends	14	—	—	—	(23,970)	(23,970)
At 30 June 2019 (Unaudited)		299,621	59,393	—	138,153	497,167
At 1 January 2020		299,621	59,393	(693)	111,389	469,710
Comprehensive income						
Loss and total comprehensive loss for the period		—	—	(1,741)	(70,045)	(71,786)
Transactions with shareholders						
Stock dividends	14	4,345	—	—	(4,345)	—
At 30 June 2020 (Unaudited)		303,966	59,393	(2,434)	36,999	397,924

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE	
		2020	2019
		USD'000 UNAUDITED	USD'000 UNAUDITED
Operating activities			
(Loss)/profit for the period		(70,045)	1,133
Adjustments for:			
Net unrealised loss on revaluation	6	70,930	5,037
Finance cost	16	14,793	14,008
Finance income	16	(297)	—
Allowance for expected credit loss		3,789	545
Operating cash flows before changes in working capital		19,170	20,723
Changes in working capital			
Trade and other receivables		(8,831)	(4,408)
Trade and other payables		2,224	2,262
Net cash generated from operating activities		12,563	18,577
Investing activities			
Additions to investment property		(9,456)	(4,104)
Finance income received		297	—
Net cash used in investing activities		(9,159)	(4,104)
Financing activities			
Proceeds from Islamic financing received	11	—	54,459
Repayment of Islamic financing		(6,687)	(1,651)
Dividends paid	14	—	(23,970)
Finance costs paid	16	(12,195)	(12,278)
Payment of lease liabilities		(1,670)	(1,013)
Net cash (used in)/generated from financing activities		(20,552)	15,547
Net (decrease)/increase in cash and cash equivalents		(17,148)	30,020
Cash and cash equivalents at the beginning of the period		48,432	38,175
Cash and cash equivalents at the end of the period	8	31,284	68,195

1 GENERAL INFORMATION

EMIRATES REIT (CEIC) PLC (the "REIT") is a closed ended domestic, public Islamic fund set up for the purpose of investing in Real Property in a Shari'a compliant manner under the provisions of its Articles of Association and the rules and regulations of the Dubai Financial Services Authority ("DFSA") and the Dubai International Financial Centre ("DIFC"), including the DIFC Law No. 2 of 2010 and the Collective Investment Rules contained within the DFSA Rulebooks and operates as an Islamic fund in accordance with such provisions, laws and rules.

The REIT was established on 28 November 2010 by Equitativa (Dubai) Limited (the "REIT Manager"), a company limited by shares, duly registered in the DIFC under commercial registration number CL0997, and having its registered office at Level 23, Index Tower, Dubai International Financial Centre, Dubai, UAE. The REIT Manager was appointed by the REIT to undertake the management of the REIT.

The REIT's activities include acquisition of properties which are rented out. The REIT receives rental revenues from the properties and distributes the income generated to shareholders through dividends.

The REIT's shares were admitted to the official list maintained by the DFSA and to trading on NASDAQ Dubai on 8 April 2014 following the REIT's Initial Public Offering ("IPO").

The REIT's business activities are subject to the supervision of a Shari'a Supervisory Board consisting of three independent members appointed by the REIT Manager who review the REIT's compliance with general Shari'a principles, specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the REIT to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

Emirates REIT Sukuk Limited, a structured entity (the "SE"), is an exempted company with limited liability incorporated on 23 October 2017 under the laws of the Cayman Islands with registered number 328401 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.

Ownership of SE

The authorised share capital of the SE is USD 50,000 consisting of 50,000 ordinary shares of USD 1.00 each, of which 250 of the Trustee's shares have been fully paid and issued. The SE's entire share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a share declaration of trust dated 21 November 2017 (the Share Declaration of Trust).

The condensed interim consolidated financial information for the six months ended 30 June 2020 comprise the REIT and its SE (together referred to as "the Group"). Considering the purpose and design of the SE, the financial information of the REIT consolidate the SE in accordance with IFRS 10.

This condensed interim consolidated financial information has been approved by the REIT Manager as the sole director of the REIT on 31 August 2020.

2 BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34"). This condensed interim consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed interim consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Group reports cash flows from operating activities using the indirect method. Finance income received is presented within investing cash flows; finance cost paid is presented within financing cash flows. The acquisitions of investment property are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Going concern

The REIT Manager, as sole director of the REIT, has made an assessment of the REIT's ability to continue as a going concern. The REIT Manager is not aware of any material uncertainties that may cast significant doubt upon the REIT's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

OPERATING SEGMENTS

For management purposes, the Group is organised into one operating segment, and therefore operating segments note is not disclosed

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies

The accounting policies applied in this condensed interim consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, except for the following accounting policy, which is applicable from 1 January 2020.

3.2 New standards, amendments and interpretations

(A) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP

- Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; these should be read in conjunction with the REIT's annual consolidated financial statements as at 31 December 2019.

There have been no changes in the risk management policies since the year-end.

4.2 Liquidity risk

Compared to the year end, there was no material change in the liquidity risk profile of the REIT.

4.3 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, receivables and certain other assets. Financial liabilities of the Group include sukuk financing instruments, Islamic financing facilities and accounts payable and certain other liabilities. The fair values of the financial assets and financial liabilities approximate their carrying values.

Assets measured at fair value

The following table provides the fair value measurement hierarchy of the Group's investment property:

	DATE OF VALUATION	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	TOTAL
		(LEVEL 1) USD'000	(LEVEL 2) USD'000	(LEVEL 3) USD'000	USD'000
Investment property	30 June 2020	—	81,072	794,366	875,438
Investment property	30 June 2019	—	126,559	826,370	952,929

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial information requires the REIT Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, the significant judgement made by the REIT Manager in applying the Group's accounting policies and the key source of estimation uncertainty for the period ended 30 June 2020 is as follows:

(A) FAIR VALUE OF INVESTMENT PROPERTY

The Group carries its investment property at fair value, with changes in fair value being recognised in the condensed interim consolidated statement of comprehensive income. The Group engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment property held, to determine the fair values of investment property as at 30 June 2020.

For income producing investment property, a valuation methodology based on the capitalisation rate method was used, as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings.

The valuation method adopted for these properties is based on inputs that are not based on observable market data (that is, unobservable inputs - Level 3). However, for vacant investment property and properties under re-development, valuation was based on sales comparison method, by which value of each property is derived by comparing it with prices achieved from transactions in similar properties (that is, significant observable input - Level 2).

As at the reporting date, the Group held total investment property amounting to USD 857,966 thousand (30 June 2019: USD 939,847 thousand) in a real estate portfolio of eleven properties (30 June 2019: eleven properties) located in Dubai, UAE.

The fair value measurement is then reclassified from Level 2 to Level 3, when vacant investment property shifts to income producing investment property.

The determined fair value of the investment property is most sensitive to the equivalent yield, the stabilised occupancy rate as well as the operating expenses. The key assumptions used to determine the fair value of the investment property and sensitivity analysis, are further explained in Note 6.

(B) OPERATING LEASE COMMITMENTS — REIT AS LESSOR

The REIT has entered into commercial property leases on its investment property portfolio. The REIT has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

6 INVESTMENT PROPERTY

	30 JUN 2020	30 JUN 2019
	USD' 000 UNAUDITED	USD' 000 UNAUDITED
Balance at the beginning of the period	919,440	939,936
Additional re-development and fitout projects on completed properties	8,600	4,104
Net unrealised loss on revaluation of investment property	(70,074)	(4,193)
Balance at the end of the period	857,966	939,847

Fair value reconciliation

	TOTAL
	USD' 000
Market value per external valuation report as at 30 June 2020	875,438
Additional re-development and fitout projects on completed properties	8,759
Accrued income (Note 7)	(32,884)
Deferred income (Note 12)	6,653
Fair value as at 30 June 2020	857,966

Net unrealised loss on revaluation

	30 JUN 2020	30 JUN 2019
	USD' 000 UNAUDITED	USD' 000 UNAUDITED
Net (loss) / gain from fair value adjustments on investment property	(70,074)	(4,193)
Change in fair value of right-of-use asset	(856)	(844)
Net unrealised loss on revaluation	(70,930)	(5,037)

Ongoing fitout projects include certain floors within an office building which are being furnished and fitted out.

Properties under land lease agreements

Five of the REIT's properties are constructed on plots in Dubai which are under land lease agreements as follows:

- Remaining lease term of 19.2 years with property fair value of USD 6,017 thousand;
- Remaining lease term of 36.4 years with property fair value of USD 87,612 thousand;
- Remaining lease term of 23.6 years renewable for another term of 30 years with property fair value of USD 29,905 thousand;
- Remaining lease term of 45.0 years with property fair value of USD 37,644 thousand; and
- Remaining lease term of 24.8 years renewable for another term of 30 years with property fair value of USD 39,761 thousand.

Fair valuation

The fair valuations of investment property were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, the REIT Manager took into account potential changes in rental levels from each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rates and property costs. Fair value hierarchy disclosures for investment property has been provided in Note 4.3.

As at 30 June 2020, the fair value of the investment property was adjusted for the lease incentive asset (Note 7) and deferred income (Note 12) in accordance with IAS 40. The amount of adjustment is USD (32,884) thousand and USD 6,653 thousand respectively (2019: USD (29,570) thousand and USD 6,975 thousand respectively).

The following table shows a reconciliation of the opening balances to the closing balances for Level 3 fair values:

	30 JUN 2020	30 JUN 2019
	USD' 000 UNAUDITED	USD' 000 UNAUDITED
Balance at the beginning of the period	845,990	811,372
Transfer from Level 2 to Level 3	6,466	19,191
Net unrealised loss on revaluation of investments properties	(58,090)	(4,193)
Balance at the end of the period	794,366	826,370

For investment property categorised under Level 3 fair value hierarchy, a valuation methodology based on the capitalisation rate method was used, as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings adjusted for potential negative effects given the uncertainty due to the current market conditions.

For investment property categorised under Level 2 fair value hierarchy, a valuation methodology based on the sales comparison method was used by comparing it with prices achieved from transactions in similar properties.

Properties for which rental cash flows can be realistically predicted are transferred to Level 3, properties where cash flows are dependent on re-development and fitout, in addition to properties that do not have an existing lease or promise to lease are kept as Level 2.

The significant unobservable inputs used in arriving at fair values of investment property are the stabilised occupancy rate, the equivalent yield and property operating expenses. The assumptions are applied on a property by property basis and vary depending on the specific characteristics of the property being valued.

The range in those assumptions used in arriving at the fair value of investment property are as follows:

	30 JUN 2020	30 JUN 2019
Stabilised occupancy rate (%)	85 – 97.5	85 – 100
Equivalent yield (%)	8 – 10.25	8 – 9.75
Operating Expenses (USD/sq. ft.)	6.53 – 19.52	6.53 – 19.52

Right of use assets

The following table shows the movement of the Right of use Asset recognized by the REIT along with the related change in the fair value during the period:

	30 JUN 2020	30 JUN 2019
	USD' 000 UNAUDITED	USD' 000 UNAUDITED
Assets:		
Right-of-use Asset as on 1 January	53,257	54,976
Less: Change in fair value during the period	(856)	(844)
Right-of-use Asset as on 30 June	52,401	54,132

7 TRADE AND OTHER RECEIVABLES

	30 JUN 2020	31 DEC 2019
	UNAUDITED USD' 000	AUDITED USD' 000
Rental and service income receivable	19,475	14,033
Less: provision for expected credit losses	(13,165)	(9,378)
	6,310	4,655
Other financial assets at amortised cost		
Other receivables	2,688	2,350
Other assets		
Lease incentive asset	32,884	29,570
Prepayments	829	1,094
	42,711	37,669
Less non-current portion – Lease incentive asset	(29,709)	(26,538)
Current portion	13,002	11,131

Lease incentive asset relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods and rent uplifts, over the expected terms of their respective leases in accordance with IFRS 16.

As at 30 June 2020, trade accounts receivable of USD 13,165 thousand (31 December 2019: USD 9,378 thousand) were impaired and fully provided for.

8 CASH AND CASH EQUIVALENTS

	30 JUN 2020	31 DEC 2019
	USD' 000 UNAUDITED	USD' 000 AUDITED
Current and savings accounts	31,284	48,432

Balances are with local Islamic banks that are regulated by the UAE Central Bank. As a result, the credit risk in respect of those entities is minimized. They are assessed by the REIT Manager to be at a relatively low risk of default.

9 SHARE CAPITAL

	NUMBER OF ORDINARY SHARES	ORDINARY SHARES USD' 000	SHARE PREMIUM USD' 000	TOTAL USD' 000
At 30 June 2020 (Unaudited)	303,965,050	303,966	59,393	363,359
At 31 December 2019 (Audited)	299,620,541	299,621	59,393	359,014

The authorised share capital of the REIT is USD 10,000,000,100 and is divided into one Manager Share with a par value of USD100; and 10,000,000,000 ordinary shares with a nominal par value of USD 1 per share. (Note 14)

10 SUKUK FINANCING INSTRUMENT

On 12 December 2017, the REIT issued five year trust certificates ("Sukuk") of USD 400 million through Emirates REIT Sukuk Limited (the "Trustee" or "SE"), a structured entity formed for the issuance of the Sukuk. The Sukuk is listed on the Main Securities Market (MSM) of Euronext Dublin with a Fitch rating of BB (rating watch negative). The Sukuk have a maturity date of December 2022 and pay a profit rate of 5.125% per annum payable semi-annually on 12 June and 12 December in each year, commencing on 12 June 2018.

The Shari'a terms of the issuance include transfer of certain identified investment properties (the "Properties") to the SE in order to comply with the principles of Shari'a. In substance, these Properties shall continue to remain under the control of the REIT and shall continue to be serviced by the REIT.

	30 JUN 2020	30 JUN 2019
	UNAUDITED USD' 000	UNAUDITED USD' 000
At 1 January	398,290	397,710
Amortisation of transaction costs	289	266
At 30 June	398,579	397,976

The Sukuk financing instrument has certain covenants on the REIT, which were complied with during the period ended 30 June 2020.

11 ISLAMIC FINANCING

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property. The outstanding balance as at reporting date stands at USD 102,496 thousand net of unamortised transaction costs of USD 1,046 thousand. (Note 16).

12 TRADE AND OTHER PAYABLES

	30 JUN 2020	31 DEC 2019
	USD' 000 UNAUDITED	USD' 000 AUDITED
Deferred income	6,653	6,975
Payable against investment property under construction or re-development	137	137
Tenant deposits payable	8,690	8,527
Accrued expenses	7,559	7,610
Service fee received in advance	2,748	1,762
Accrued profit expense	1,347	1,448
Management fee	1,538	—
Administration fee	27	16
	28,699	26,475

13 ZAKAT

Zakat is payable by the shareholders based on their share of the net assets of the REIT at the end of every reporting period. The Group is not liable to pay Zakat.

14 DIVIDENDS

In June 2020, the REIT declared the final dividend in respect of the year ended 31 December 2019 by way of issuing bonus shares amounting to USD 4,344,509 / USD 0.0145 per ordinary share. These bonus shares were issued to shareholders whose name was appearing on the shareholders register as at 17 June 2020.

In June 2019, the REIT declared the final dividend in respect of the year ended 31 December 2018 of USD 0.04 per ordinary share by way of issuing bonus shares amounting to USD 11,984,821 to shareholders whose name was appearing on the shareholders register as at 13 June 2019.

15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the REIT Manager, associated companies, shareholders, directors and key management personnel of the REIT Manager, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the REIT Manager.

Equitativa (Dubai) Limited, a company limited by shares, is the REIT Manager of the REIT.

(A) TRANSACTIONS EXECUTED DURING THE PERIOD

Transactions executed with various related parties during the period amounted to:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020	2019
	USD'000 UNAUDITED	USD'000 UNAUDITED
REIT Manager	6,040	9,514
Board Members	60	90
Financial Institutions	7,282	54,482
Others	121	296

(B) MANAGEMENT AND PERFORMANCE FEE

Management fee is payable to the REIT Manager quarterly in advance and is calculated quarterly based on the aggregated gross value of the assets of the REIT at a rate of 1.5% per annum.

The Performance fee is payable to the REIT Manager annually in arrears, at a rate of 3% of the increase in net asset value per share by reference to the highest net asset value per share previously used in calculating the fee.

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020	2019
	USD'000 UNAUDITED	USD'000 UNAUDITED
REIT Manager		
Management fee	(7,467)	(7,827)
Performance fee	—	(28)
	(7,467)	(7,855)

(C) DUE TO RELATED PARTIES COMPRISES:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020	2019
	USD'000 UNAUDITED	USD'000 UNAUDITED
REIT Manager	1,538	—
Board Members	75	90
Financial Institutions	82,467	87,330
Others	22	29
Total	84,102	87,449

(D) DUE FROM RELATED PARTIES COMPRISES:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020	2019
	USD'000 UNAUDITED	USD'000 UNAUDITED
REIT Manager	—	177
Financial Institutions	131	112
Total	131	289

Transactions with related parties are conducted in accordance with the applicable regulations. Outstanding balances at the period-end are unsecured and profit free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Transactions with key management personnel

During the periods ended 30 June 2020 and 30 June 2019, the role of the key management personnel in accordance with IAS 24 was performed by the REIT Manager, for which the REIT Manager receives remuneration in the form of a management fee and performance fee.

16 FINANCE COSTS

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020	2019
	USD'000 UNAUDITED	USD'000 UNAUDITED
Sukuk profit expense	(10,250)	(10,250)
Sukuk issuance amortised expenses	(289)	(266)
Ijarah Islamic financing profit expense	(2,787)	(2,029)
Ijarah processing fee	(92)	(100)
Finance cost on lease liability	(1,375)	(1,363)
Finance costs	(14,793)	(14,008)
Profit income on saving accounts	297	—
Finance income	297	—
Finance costs, net	(14,496)	(14,008)

17 EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the net profit for the period attributable to ordinary equity holders of the REIT by the weighted average number of ordinary shares outstanding during the period.

	30 JUN 2020	30 JUN 2019
	UNAUDITED	UNAUDITED
(Loss)/profit attributable to ordinary shareholders	(71,786,614)	1,132,184
Weighted average number of ordinary shares for basic EPS	299,668,283	299,620,541
Basic and diluted (loss)/earnings per share (USD)	(0.240)	0.004

The Group has no share options outstanding at the period end and therefore the basic and diluted EPS are the same.

18 EXPENSE RATIO

The total expense ratio for the six month period ended 30 June 2020 was 3.39% of Gross Asset Value (30 June 2019: 2.73%).

19 COMMITMENTS AND CONTINGENCIES**(A) CAPITAL COMMITMENTS**

As of 30 June 2020, the REIT had contractual capital commitments of USD 4,460 thousand (31 December 2019: USD 4,909 thousand), which pertains to the construction of a school development and USD 2,595 thousand (31 December 2019: USD 5,420 thousand) in relation to fit out and re-development work in certain completed properties.

(B) CONTINGENCIES

One of the REIT's tenant (the "REIT tenant") has filed a claim in 2018 which is subject to arbitration proceedings in the DIFC-LCIA. The REIT Manager filed a counterclaim and the matters are still in arbitration. The REIT Manager has considered its obligations with respect to its contractual arrangement with the REIT tenant and also the facts and circumstances surrounding the confidential arbitration proceedings in this regard.

The REIT Manager has maintained the 100% provision for the related rental and service income receivable due from the REIT tenant as of 31 December 2019. The REIT Manager however believes the case is unlikely to have a material impact on the consolidated financial statements

Another REIT tenant has not made the contractual payment for the agreed rent and services charges to the REIT. The REIT Manager filed a claim against the tenant for outstanding amounts owed to the REIT which is subject to arbitration proceedings in the DIFC-LCIA. The REIT Manager has made adequate specific provision against this receivable.

(C) OPERATING LEASE COMMITMENTS — GROUP AS LESSEE

The Group has entered into commercial property leases on certain properties. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 JUN 2020	31 DEC 2019
	USD'000 UNAUDITED	USD'000 AUDITED
Within one year	2,957	2,921
After one year but not more than five years	15,301	12,117
More than five years	103,656	108,336
	121,914	123,374

(D) OPERATING LEASE COMMITMENTS — GROUP AS LESSOR

The Group has entered into commercial property leases on certain properties. Future minimum rentals receivables under non-cancellable operating leases as at 30 June 2020 and 31 December 2019 are as follows:

	30 JUN 2020	31 DEC 2019
	USD'000 UNAUDITED	USD'000 AUDITED
Within one year	48,183	52,941
After one year but not more than five years	164,131	146,307
More than five years	423,197	462,734
	635,511	661,982

20 SIGNIFICANT EVENTS**Media allegations and regulatory investigation**

In mid July, an article appeared regarding allegations made by some shareholders regarding the REIT Manager. The REIT Manager responded with a press release dated 14 July 2020.

Subsequently, the DFSA informed the REIT Manager that it was conducting an investigation into certain matters that had been raised in the article pertaining to specifically: the DFSA's Collective Investment Rule 13.4.22 (on valuation); the DFSA's General Module Rule 4.2.6 (Principle 6 on information and interests); and the DFSA's General Module - Rule 4.2.11 (Principle 11 on corporate governance).

Strategic Review

In July the REIT Manager launched a comprehensive review of the strategic options for the REIT, including a potential de-listing from Nasdaq Dubai and appointed a consultant to lead the review. As part of the review, all directors and employees of both REIT Manager and Emirates REIT were permitted to purchase shares of the REIT.

Impact of the Novel Coronavirus

In 2020, the Novel Coronavirus (Covid-19) was confirmed as a Pandemic and has spread across several countries and territories across the globe, causing disruptions to businesses and economic activities. The Group's business has also been impacted, particularly from cashflow and valuation perspective.

Continuous assessment of relevant cash flows using assumptions and downside scenarios to assess any potential financing needs is being done. However, given the current financial position, no additional liquidity needs have been identified to allow the Group to meet its financial obligations as and when they fall due for the next twelve months from the date of the condensed interim consolidated financial statements

21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in these condensed interim consolidated financial statements.

