



Interim  
Financial Statements

30 June 2016



Condensed Interim Financial Information  
for the six months ended

30 June 2016



## Condensed Interim Financial Information for the six months ended 30 June 2016

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# Report on review of interim financial information

To the shareholders of Emirates REIT (CEIC) Limited

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Emirates REIT (CEIC) Limited (the "REIT") as at 30 June 2016 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed interim 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 interim financial information consists of making enquiries, 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 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Dubai, United Arab Emirates

Audit Principal – Mohamed ElBorno  
16 August 2016



# Condensed Interim Balance Sheet

	Notes	As at 30 June 2016 USD'000 Unaudited	As at 31 December 2015 USD'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	6	721,996	673,227
<b>Current assets</b>			
Trade and other receivables	7	3,346	4,382
Cash and bank balances		40,188	63,735
		43,534	68,117
<b>Total assets</b>		<b>765,530</b>	<b>741,344</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	299,621	299,621
Share premium		59,393	59,393
Retained earnings		110,370	110,552
<b>Total equity</b>		<b>469,384</b>	<b>469,566</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	13	247,323	233,327
<b>CURRENT LIABILITIES</b>			
Islamic financing	13	27,461	23,963
Trade and other payables	14	21,362	14,488
		48,823	38,451
<b>Total liabilities</b>		<b>296,146</b>	<b>271,778</b>
<b>Total equity and liabilities</b>		<b>765,530</b>	<b>741,344</b>
Net asset value (USD)		469,383,611	469,565,407
Number of shares		299,620,541	299,620,541
Net asset value USD per share		1.57	1.57

This condensed interim financial information was approved by the Board of Directors of Emirates REIT Management (Private) Limited on 15 August 2016 as the sole director of Emirates REIT (CEIC) Limited and signed on its behalf by:

**Sylvain Vieujot**  
Executive Deputy Chairman

**Abdul Wahab Al Halabi**  
Acting Chief Financial Officer



# Condensed Interim Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2016 USD'000 Unaudited	2015 USD'000 Unaudited
Rental income		20,946	16,325
Service fee income		2,512	2,621
Other property income		162	135
		23,620	19,081
Property expenses		(7,233)	(5,943)
		16,387	13,138
Net unrealised gain on revaluation of investment properties			
	6	18,805	31,530
Net property income		35,192	44,668
<b>Expenses</b>			
Management fee		(5,624)	(4,617)
Performance fee		(734)	(1,087)
Board fees		(126)	(137)
Valuation fees		(58)	(55)
Legal and professional fee		(86)	(70)
REIT administration fee		(89)	(120)
Branding and marketing fees		(303)	(468)
Custodian fees		-	(20)
Other expenses		(233)	(118)
Operating profit		27,939	37,976
Finance costs		(4,213)	(2,864)
Finance income		62	-
Finance costs – net		(4,151)	(2,864)
Profit and total comprehensive income for the period		23,788	35,112
<b>Earnings Per Share</b>			
Basic and diluted Earnings Per Share (USD)	10	0.08	0.12

## Condensed Interim Statement of Changes in Equity

	Note	Share capital USD'000	Share premium USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2015		299,621	59,393	73,022	432,036
Comprehensive income					
Profit for the period		-	-	35,112	35,112
Transactions with shareholders					
Dividends	9	-	-	(23,970)	(23,970)
At 30 June 2015 (unaudited)		299,621	59,393	84,164	443,178
At 1 January 2016		299,621	59,393	110,552	469,566
Comprehensive income					
Profit for the period		-	-	23,788	23,788
Transactions with shareholders					
Dividends	9	-	-	(23,970)	(23,970)
At 30 June 2016 (unaudited)		299,621	59,393	110,370	469,384

# Condensed Interim Statement of Cash Flows

		Six months ended 30 June	
		2016	2015
		USD'000	USD'000
	Notes	Unaudited	Unaudited
<b>Operating activities</b>			
Profit for the period		23,788	35,112
<b>Adjustments for:</b>			
Net unrealised gain on revaluation of investment properties	6	(18,805)	(31,530)
Finance cost		4,213	2,864
Finance income		(62)	-
Provision for doubtful debts		-	37
<b>Operating cash flows before changes in working capital</b>		<b>9,134</b>	<b>6,483</b>
<b>Changes in working capital:</b>			
Trade and other receivables	7	1,036	(79)
Trade and other payables		(1,641)	1,749
<b>Net cash generated from operating activities</b>		<b>8,529</b>	<b>8,153</b>
<b>Investing activities</b>			
Additions to property under development		(19,608)	(6,287)
Finance income received		62	-
<b>Net cash used in investing activities</b>		<b>(19,546)</b>	<b>(6,287)</b>
<b>Financing activities</b>			
Movement in Islamic financing facilities (net)		15,175	16,817
Dividends paid	9	(23,970)	(23,970)
Finance costs paid		(3,735)	(2,668)
<b>Net cash used in financing activities</b>		<b>(12,530)</b>	<b>(9,821)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(23,547)</b>	<b>(7,955)</b>
Cash and cash equivalents at the beginning of the period		63,735	16,629
<b>Cash and cash equivalents at the end of the period</b>		<b>40,188</b>	<b>8,674</b>

# Notes to the Condensed Interim Financial Statements

for the six months ended 30 June 2016

## 1. General Information

Emirates REIT (CEIC) Limited (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 Emirates REIT Management (Private) 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 East, Dubai International Financial Centre, Dubai, UAE.

The REIT's activities include acquisition of properties which are then rented out. The REIT receives rental revenues from the properties, which are distributed to the 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.

Condensed financial information has been approved by Emirates REIT Management (Private) Limited as the sole director of the REIT on 15 August 2016.

## 2. Basis of Preparation

This condensed interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34"). These standards do not include all the information required for a complete set of financial statements. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

### (a) Operating segments

For management purposes, the REIT is organised into one operating segment.

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### 3. Accounting Policies

The accounting policies applied in this condensed interim financial information is consistent with those of the annual financial statements for the year ended 31 December 2015.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2016 that have a material impact on the REIT.

### 4. Critical Accounting Estimates and Judgements

The preparation of condensed interim financial information requires management 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 financial information, the significant judgement made by management in applying the REIT's accounting policies and the key source of estimation uncertainty for the period ended 30 June 2016 is as follows:

#### (a) Revaluation of investment property

The REIT carries its investment properties at fair value, with changes in fair value being recognised in the statement of comprehensive income. The REIT engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment properties held, to determine the fair values of investment properties as at 30 June 2016. For all investment properties, a valuation methodology based on the capitalisation method was used 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. Valuation for parts of Index Tower properties was based on the sales comparison method by which the value of asset is derived by comparing it with prices achieved from transactions in similar properties.

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

### 5. Financial Risk Management

#### 5.1. Financial risk factors

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the REIT's annual financial statements as at 31 December 2015.

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

## 5.2. Liquidity risk

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

## 5.3. Fair value measurement

### Fair Value of Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the REIT include bank balances and cash, receivables and certain other assets. Financial liabilities of the REIT include Islamic financing facilities and accounts payable and certain other liabilities.

The fair values of financial instruments approximate their carrying values as of the period end.

## 6. Investment Properties

	30 June 2016 USD'000	30 June 2015 USD'000
Completed properties	692,839	613,429
Properties under construction	27,559	-
Properties under re-development	1,598	1,538
	<b>721,996</b>	<b>614,967</b>

As at 30 June 2016, the REIT held investment properties amounting to USD 720,397,531 (30 June 2015: USD 613,429,000) and investment properties under re-development and fit-out amounting to USD 1,598,086 (30 June 2015: USD 1,538,000) in a real estate portfolio which comprises of eight (2015: seven properties) located in Dubai, UAE.

The movement in investment properties during the period is as follows:

### Completed properties

	USD'000
<b>Balance at 1 January 2016</b>	<b>668,146</b>
Transfers from property under re-development and fit-out	5,888
Net unrealised gain on revaluation of investment properties	18,805
<b>Balance at 30 June 2016</b>	<b>692,839</b>
<b>Balance at 1 January 2015</b>	<b>574,019</b>
Transfers from property under re-development and fit-out	7,880
Net unrealised gain on revaluation of investment properties	31,530
<b>Balance at 30 June 2015</b>	<b>613,429</b>

Properties under construction	USD'000
Balance at 1 January 2016	3,161
Additions during the period	24,398
Balance at 30 June 2016	27,559

Properties under re-development and fit-out	USD'000
Balance at 1 January 2016	1,920
Additions during the period	5,566
Transfer to completed property	(5,888)
Balance at 30 June 2016	1,598
Balance at 1 January 2015	1,313
Additions during the period	8,105
Transfer to completed property	(7,880)
Balance at 30 June 2015	1,538

One of the REIT's investment properties is constructed on a plot in Dubai which is under a concession agreement amounting to USD 7,838,279 and another one is constructed on a plot which is under a land lease agreement amounting to USD 86,468,827. These agreements are for a remaining period of 23.3 years and 40.3 years respectively.

A formal valuation of the REIT's investment properties (excluding properties under re-development and fit-out) was performed by independent certified property valuers, on an open market basis as at 30 June 2016. Based on such valuations, the fair value of the investment property at 30 June 2016 was USD 720,397,531 (31 December 2015: USD 671,307,000).

The valuations 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.

The significant unobservable inputs used in arriving at fair values of investment properties 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 the main assumptions used in arriving at the fair value of investment properties are as follows:

	30 June 2016	30 June 2015
Stabilised occupancy rate (%)	90 – 100	80 – 100
Equivalent yield (%)	8.00 – 8.99	8.62 – 9.50
Operating expenses (USD/sq. ft.)	7.88-25.05	6.75 – 15.44

Significant increases / (decreases) in estimated stabilised occupancy rate in isolation would result in a significantly higher / (lower) fair value of the properties. Significant increases / (decreases) in equivalent yield and operating expenses in isolation would result in a significantly lower / (higher) fair value.

Properties with a fair value of USD 496,471,781 (31 December 2015: USD 491,720,051) are mortgaged against Islamic financing facilities (Note 13).

## 7. Trade and other Receivables

	30 June 2016 USD'000	31 December 2015 USD'000
Rental and service income receivables	739	375
Less: provision for doubtful debts	(184)	(184)
	555	191
Prepayments	1,642	3,261
Security deposits	198	489
Other receivables	951	441
	3,346	4,382

## 8. Share Capital

	Number of ordinary shares	Ordinary shares USD'000	Shares premium USD'000	Total USD'000
At 1 January 2015	299,620,541	299,621	59,393	359,014
At 30 June 2015	299,620,541	299,621	59,393	359,014
At 1 January 2016	299,620,541	299,621	59,393	359,014
At 30 June 2016	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.

No new shares have been issued in the period.



## 9. Dividends

In January 2016, the REIT paid an interim dividend in respect of the year ended 31 December 2015 of USD 0.04 per ordinary share amounting to a total interim dividend of USD 11,984,821 to shareholders on the register as at 11 January 2016.

In June 2016, the REIT paid a final dividend in respect of the year ended 31 December 2015 of USD 0.04 per ordinary share amounting to a total final dividend of USD 11,984,821 to shareholders on the register as at 8 June 2016.

## 10. Earnings per Share (“EPS”)

Basic and diluted 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 June 2016 USD	30 June 2015 USD
Profit attributable to ordinary shareholders	23,787,847	35,111,718
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541

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

## 11. 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 REIT is not liable to pay Zakat.

## 12. Related Party 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.

There have been no changes identified in related parties since the year end.

**(a) Related party transactions**

	30 June 2016 USD'000	30 June 2015 USD'000
<b>Emirates REIT Management (Private) Ltd</b>		
Management fee	(5,624)	(4,617)
Performance fee	(734)	(1,027)
Rental and service income	112	-
<b>Dubai Islamic Bank (P.J.S.C.)</b>		
Rental and service income	127	160
<b>Dar Al Shari'a Legal &amp; Financial Consultancy LLC</b>		
Professional fees	(20)	(63)
<b>Deyaar Facilities Management LLC</b>		
Property expenses	-	16

**(b) Due to related parties comprises:**

	30 June 2016 USD'000	31 December 2015 USD'000
Emirates REIT Management (Private) Ltd	858	2,145
Dar Al Shari'a Legal & Financial Consultancy LLC	5	73
	863	2,218

**13. Islamic Financing**

	30 June 2016 USD'000	31 December 2015 USD'000
Current	27,461	23,963
Non-current	247,323	233,327
	274,784	257,290

On 30 June 2016 Emirates REIT increased its financing with Emirates Islamic Bank PJSC to USD 168,205,826 (AED 617,820,000) resulting in the receipt of additional gross funds of USD 27,225,701 (AED 100,000,000) secured by the way of mortgage on the Office Park and Lofts. The terms of the financing facility remains at a profit rate of 3 month EIBOR + 2.5% (no minimum rate) with the full amount of the total borrowings being fully amortised over 10 years commencing from 30 June 2016.

## 14. Trade and other Payables

	30 June 2016 USD'000	31 December 2015 USD'000
Payable against investment properties	11,533	1,841
Tenant deposits payable	4,217	3,708
Accrued expenses	2,540	3,055
Service fee received in advance	2,119	2,594
Performance fee accrued	735	1,903
Management fee payable	122	242
Administration fee payable	30	37
Rent received in advance	-	959
Other payables	66	149
	21,362	14,488

Included in the above accounts are balances due to related parties amounting to USD 863,044 (31 December 2015: USD 2,218,488) (Note 13).

## 15. Commitments

### (a) Capital commitments

As of 30 June 2016, the REIT had capital commitments of USD 14,463,000 (2015: USD 26,819,494) out of which USD 9,437,000 pertains to the construction of Jebel Ali School and USD 5,026,000 pertains to fit-out and re-development work at Index Tower office and retail (2015: USD 2,385,043).

### (b) Operating lease commitments – REIT as lessee

The REIT has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 27.2 years (31 December 2015: 27.8 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

The REIT's commitments under non-cancellable operating leases are:

	30 June 2016 USD'000	31 December 2015 USD'000
Within one year	626	1,251
After one year but not more than five years	5,005	5,005
More than five years	26,903	26,903
	32,534	33,159

**(c) Operating lease commitments – REIT as lessor**

The REIT has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 7.8 years (2015: 8.5 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

The REIT's future minimum rentals receivables under non-cancellable operating leases as lessor are:

	30 June 2016 USD'000	31 December 2015 USD'000
Within 1 year	35,243	34,545
After one year but not more than five years	65,119	71,023
More than five years	231,948	237,390
	332,310	342,958

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This Report contains certain 'forward-looking' statements.

Such statements reflect current views on, among other things, our markets, activities and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or variations or comparable terminology.

By their nature, forward-looking statements involve inherent risks and uncertainties because they relate to future events and circumstances which may or may not occur and may be beyond our ability to control or predict. Therefore they should be regarded with caution. Important factors that could cause actual results, performance or achievements of Emirates REIT (CEIC) Limited ("Emirates REIT") to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety, changes in political and economic stability, changes in occupier demand and tenant default and the availability and cost of finance. Such forward-looking statements should therefore be construed in light of such factors. Information contained in this Report relating to Emirates REIT or its share price, or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of future performance.

Any forward-looking statements made by or on behalf of Emirates REIT speak only as of the date they are made and no representation, assurance, guarantee or warranty is given in relation to them (whether by Emirates REIT or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared. Other than in accordance with our legal and regulatory obligations, Emirates REIT does not intend or undertake to update or revise forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based.

This report has been prepared by Emirates REIT Management (Private) Limited as the Manager of Emirates REIT (CEIC) Limited. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any investment decision that relies on this information.

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Abdul Wahab Al Halabi

Executive Deputy Chairman  
Sylvain Vieujot



