



2017

H1 REPORT



Emirates REIT







Emirates REIT







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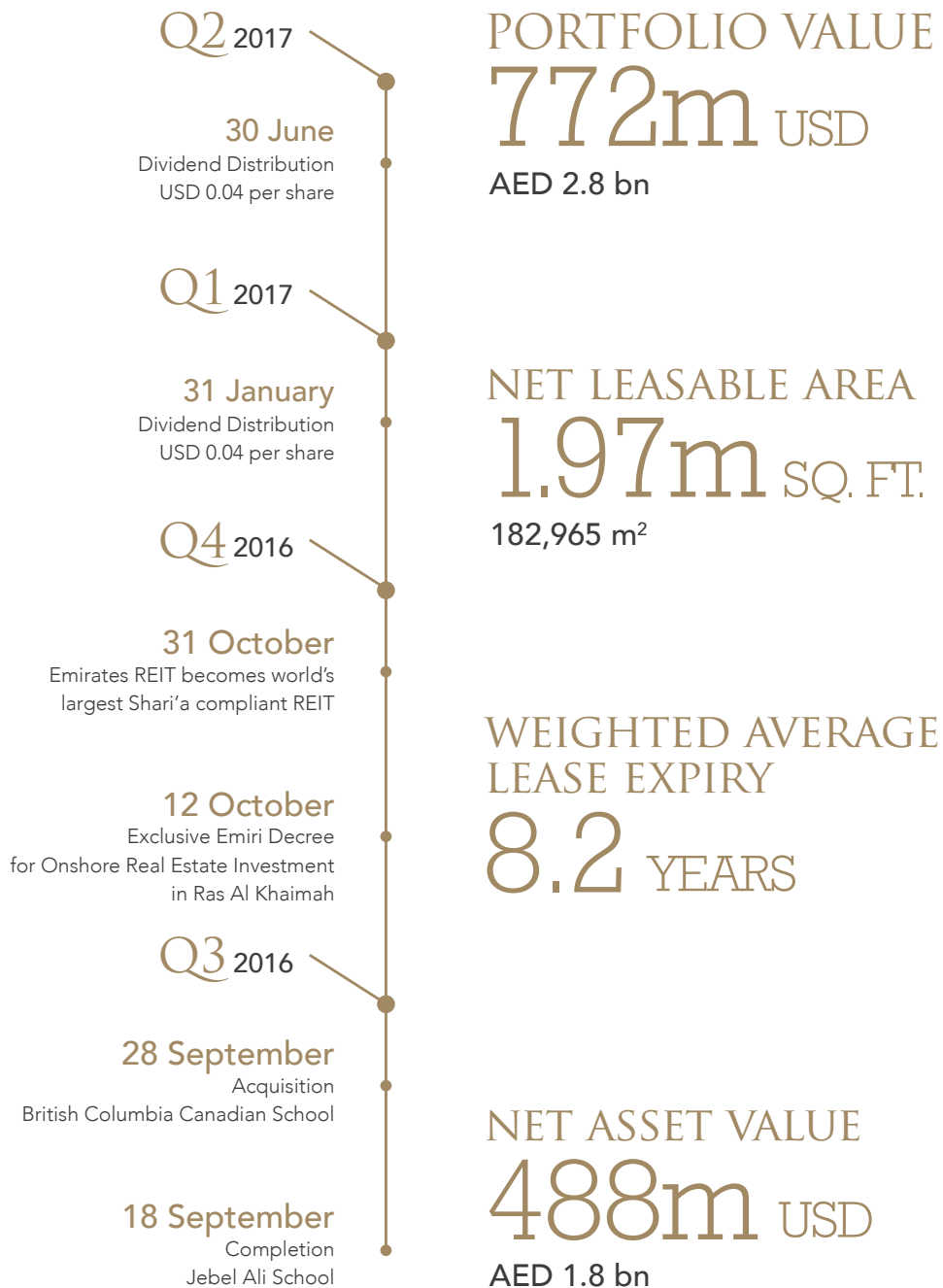
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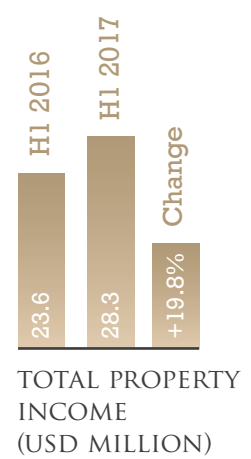
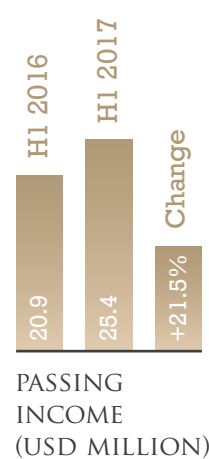
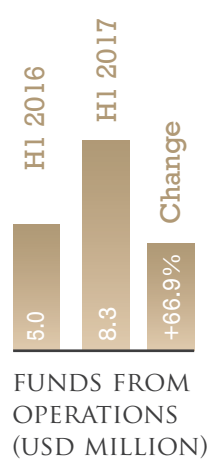
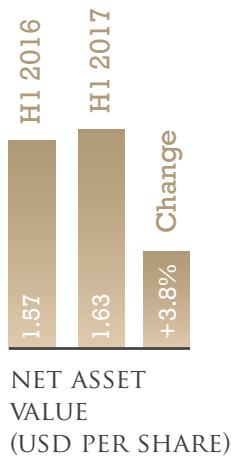
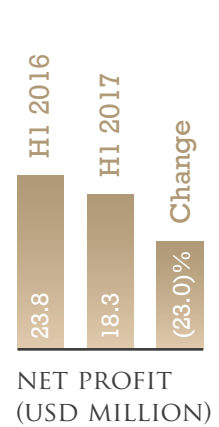
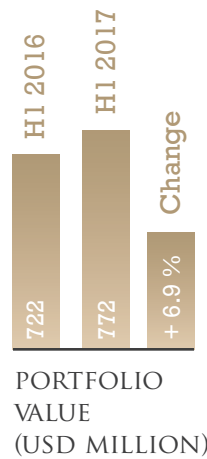
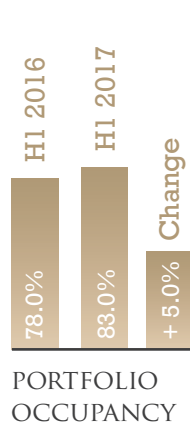
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# H1 2017 IN BRIEF





# KEY PORTFOLIO STATISTICS



# CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report Emirates REIT achieved 31% rise in net rental income and 67% growth in funds from operations in the first half of 2017

1. 31% growth in net rental income to USD 21.5m (1H 2016: USD 16.4m)
2. Strong rental income conversion lead to 67% growth in funds from operations ("FFO"), now USD 8.3m
3. Current annualized rent passed AED 200 million mark
4. Phase 1 of the British Columbia Canadian School delivered. Opening pending authority inspection.
5. Owner fit out and leasing under way at Index Mall
6. Pursuing acquisition opportunities in the current market environment

## Financial Achievements

The REIT saw rental income grow 22% to USD 25.4 million in the first half of the year (H1 2016: USD 20.9 million). Service fees and other income rose 6% to USD 2.8 million, leading to USD 28.3 million in property income generated in H1 2017 (+20%). This primarily reflects incremental leasing of office units at Index Tower, income from Jebel Ali School and rental payments from British Columbia Canadian School. Total occupancy across the portfolio reached 83% as at 30 June 2017. The weighted average unexpired lease term was up to 8.2 years from 6.2 years in H1 2016. The annualized rental income continues to grow and passed the AED 200 million mark as of August 2017.

In a challenging market environment, the REIT continues to grow its occupancy, increase its rental rates and achieve a strong increase in its rental income. In addition, Equitativa's hands-on property management and proactive optimization of the portfolio continues to improve the financial performance of the REIT. Consequently, this combined strategy significantly improved the flow-through of income to funds from operations ("FFO"). The REIT was able to convert most of its additional rental income to FFO, resulting in a 67% increase in FFO, or cash profit, to USD 8.3 million in the first half of the year (H1 2016: USD 5.0 million).

The total portfolio value as of 30 June 2017 was USD 772.1 million, a year-on-year increase of 6.9% (30 June 2016: USD 722.0 million). The net asset value was USD 1.63 per share, or USD 487.8 million, (30 June 2016: USD 1.57 per share or USD 469.4 million). Revaluation gains in H1 2017 were USD 10.0 million (H1 2016: USD 18.8 million), reflecting the increase in contracted cash flow.

As expected, and highlighted in previous quarterly statements, the decrease in revaluation gains year on year, which is a result of the maturing portfolio that generates more stable cash flows, lead to a lower net profit of USD 18.3 million for the first half (H1 2016: USD 23.8 million).

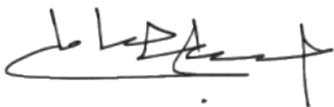
### Operational Update

The first phase of the new British Columbia Canadian School has been delivered. The opening of the school is pending inspections by authorities. This leasehold plot in Dubai Investments Park was acquired by the REIT and immediately leased back to the school. The estimated IRR on this project is expected to exceed 12%.

The owner fit out and leasing of Index Mall is now well underway. The 73,650 sq.ft Mall will be a prime destination featuring a variety of shops, food and beverage outlets and amenities, connected to DIFC's Gate Avenue, which is due to open in H1 2018.

### Conclusion

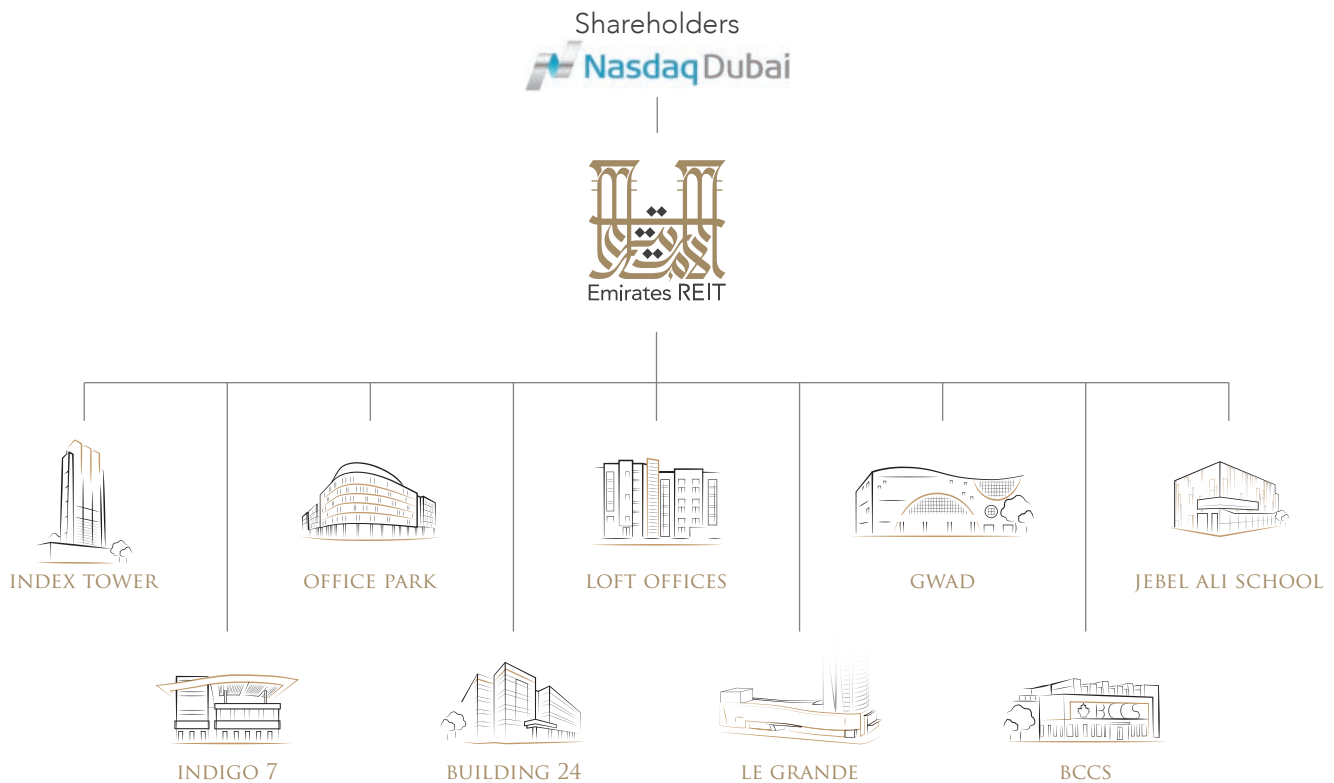
Our defensive portfolio of prime assets and the doubling of our team has helped us continue to grow rents and identify strong acquisition opportunities. We continue to strengthen Emirates REIT's track record in the education sector and are pleased to be handing over BCCS on budget and in less than a year. Despite market challenges, the REIT continues to perform well and return a high dividend to shareholders.



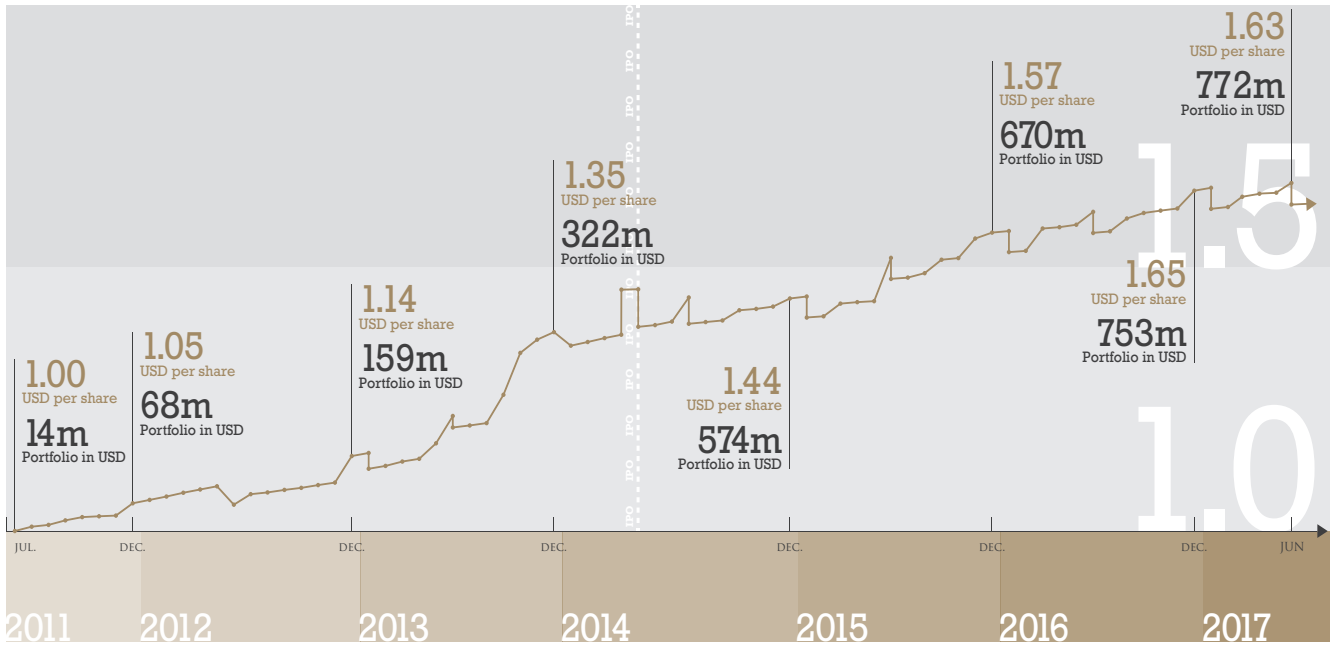
Abdulla Al Hamli  
Chairman

# REIT IN BRIEF

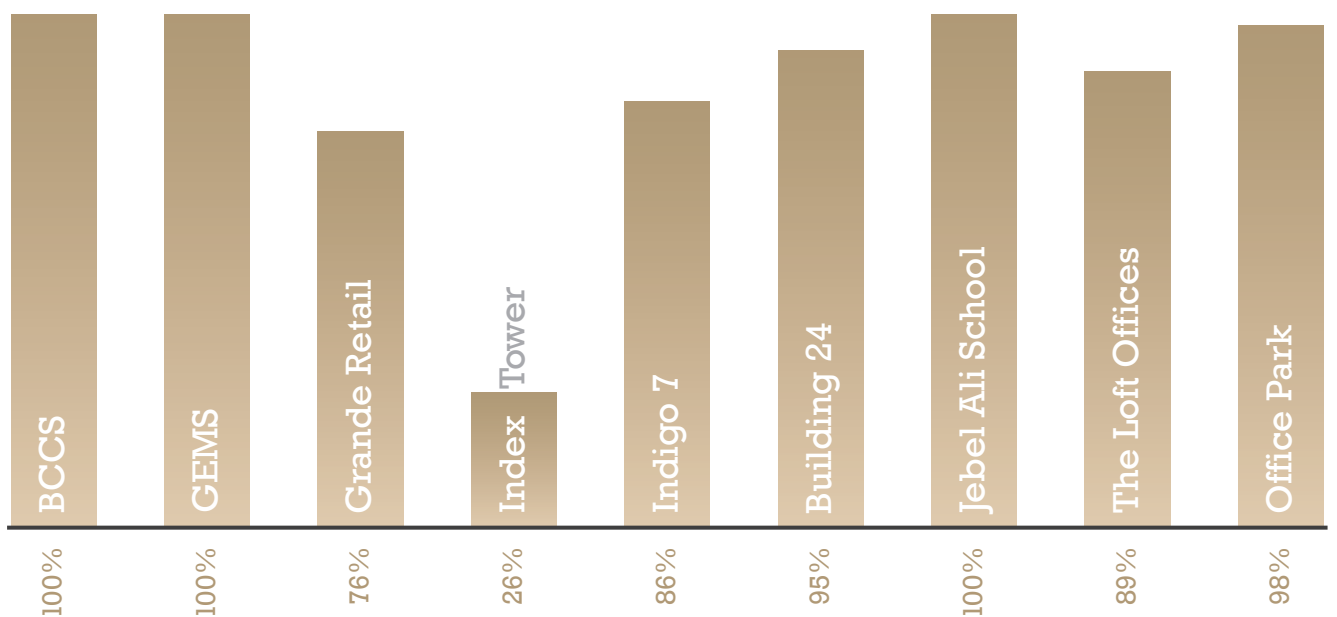
- World's largest Shari'a compliant REIT
- Focus on income-producing assets with attractive investment fundamentals
- Good degree of income visibility and embedded organic growth opportunities within existing portfolio
- Bi-annual dividend distributions and steady increase in NAV per share since incorporation
- Experienced REIT Management with detailed knowledge of UAE Real Estate sector
- Active management and enhancement of the income profile of the properties
- Regulated REIT and REIT Manager with established corporate governance framework
- Regulations highlights : minimum of 80% of the net income distributed, gearing limit of 50% of gross asset value, development activities limited to 30% of portfolio



# PERFORMANCE



# OCCUPANCY



## PORTFOLIO PERFORMANCE

The REIT owns 9 properties, including 3 education complexes, 1 retail and 5 mixed-use commercial assets. As of 30 June 2017, portfolio occupancy was at 82%, a stable increase of 5.4% from last year, with Index Tower being occupied at 26% (from 20.3% as of June 2016).

The portfolio value increased by 6.9% in June 2017, to USD 772 m (AED 2.8 bn) from USD 722 m (AED 2.6 bn). This is reflected in the growth of Net Asset Value to USD 488 m (AED 1.8 bn) for June 2017 from USD 469.4 m (AED 1.7 bn) in June 2016.

The Funds From Operations as at 30 June 2017 was USD 8.3 m (AED 30.5 m), an increase of 66.9% from last June 2016, primarily driven by the realization of full revenues from British Columbia Canadian School and new office leases in the Index Tower.

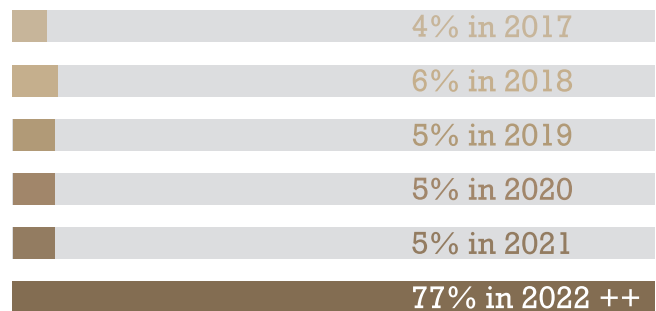
## PORTFOLIO RISK

The portfolio has a relatively low risk profile benefiting from diversification across asset classes and long-term leases with a weighted average lease term of 8.2 years as at 30 June 2017, and only 15% of the leases expiring in the next three years (4% only within one year, and 77% expiring post 2022 with 57% expiring 2027+).

## INCOME BY UNIT TYPE



## LEASE MATURITY PROFILE



## KEY PORTFOLIO STATISTICS

	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Number of properties	9	8	+1	+12.5%
Portfolio occupancy	83%	78.0%	+5%	-
Number of tenants	256	244	+12	+4.9%
Net leasable area (m <sup>2</sup> )	182,965	166,000	+16,965	+10.2%
Market value (USD million) <sup>(1)</sup>	772	722	+50	+6.9%
Passing income (USD million) <sup>(2)</sup>	25.4	20.9	+4.5	+21.5%

<sup>(1)</sup> Market Value is including Investment Property under construction, pre-development and fit-out

<sup>(2)</sup> Passing income represents the annualised value of contractual rentals at the end of the relevant period

## INCOME AND EARNINGS

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Property income	28,292	23,620	+4,672	+19.8%
Revaluation gains	9,999	18,805	(8,806)	(46.8)%
Net property income	31,469	35,192	(3,723)	(10.6)%
Operating profit	24,039	27,939	(3,900)	(14.0)%
Finance cost, net	(5,723)	(4,151)	(1,572)	+37.9%
Net profit	18,316	23,788	(5,472)	(23.0)%
<b>Funds From Operations (FFO)<sup>1</sup></b>	<b>8,317</b>	<b>4,983</b>	<b>+3,334</b>	<b>+66.9%</b>
EPS (USD) <sup>2</sup>	0.06	0.08	(0.02)	(25.0)%
FFO per share <sup>2</sup>	0.028	0.017	+0.011	+64.7%
Portfolio return <sup>3</sup>	7.5%	10.2%	(2.7)%	-

<sup>(1)</sup> FFO comprises net profit excluding revaluation gains

<sup>(2)</sup> Based on weighted average number of shares

<sup>(3)</sup> Portfolio return comprises annual growth in NAV per share, including the dividend paid to shareholders

## BALANCE SHEET

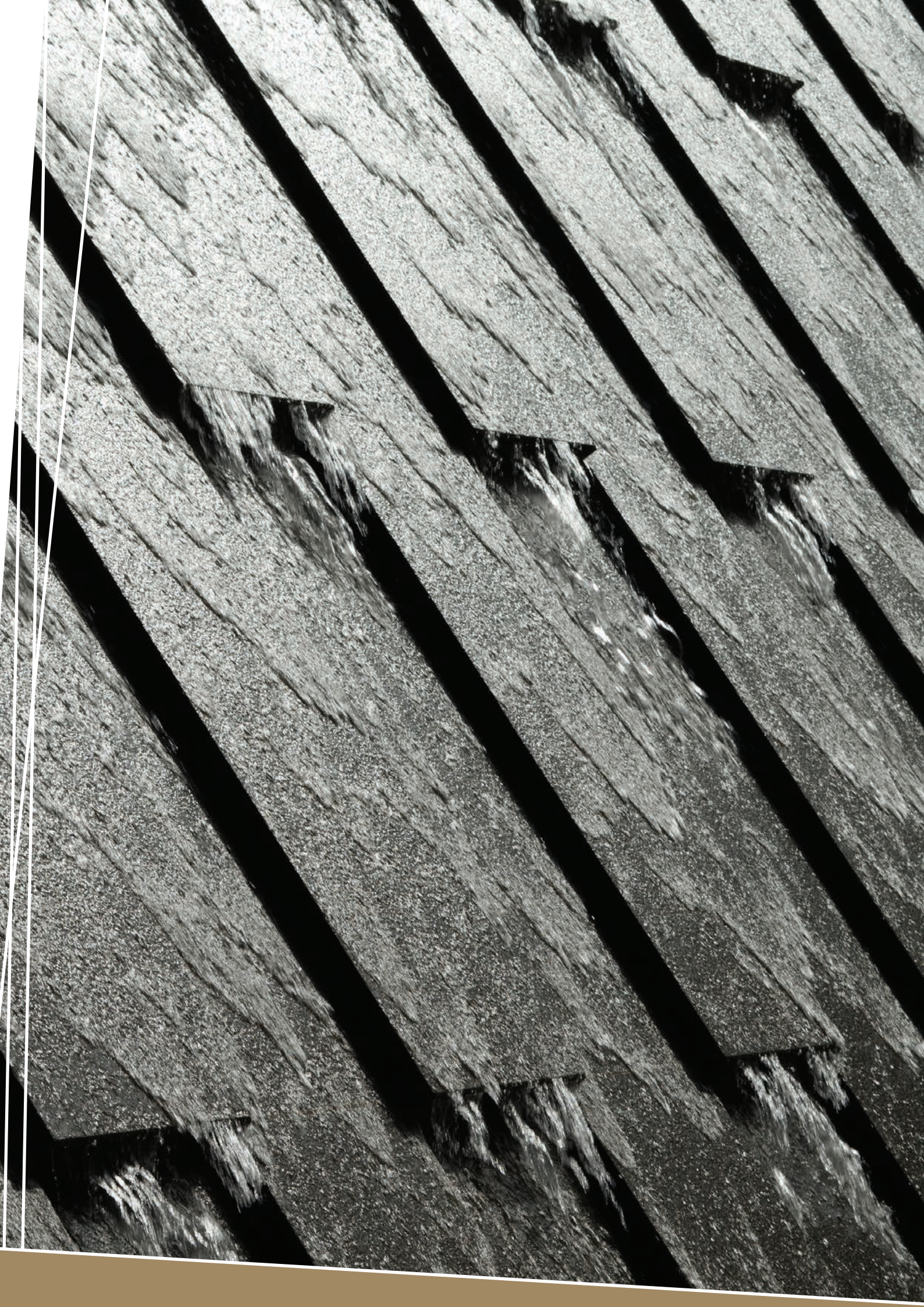
	<b>Unaudited</b>	<b>Audited</b>
<b>USD '000</b>	<b>30 Jun 2017</b>	<b>31 Dec 2016</b>
Investment property	772,091	752,703
Total assets	815,428	832,468
Equity	487,765	493,419
Liabilities	327,663	339,049
NAV per share (USD)	1.63	1.65
LTV	36.8%	37.8%
Net cash generated from operating activities	13,719	19,560





# INTERNATIONAL RECOGNITION

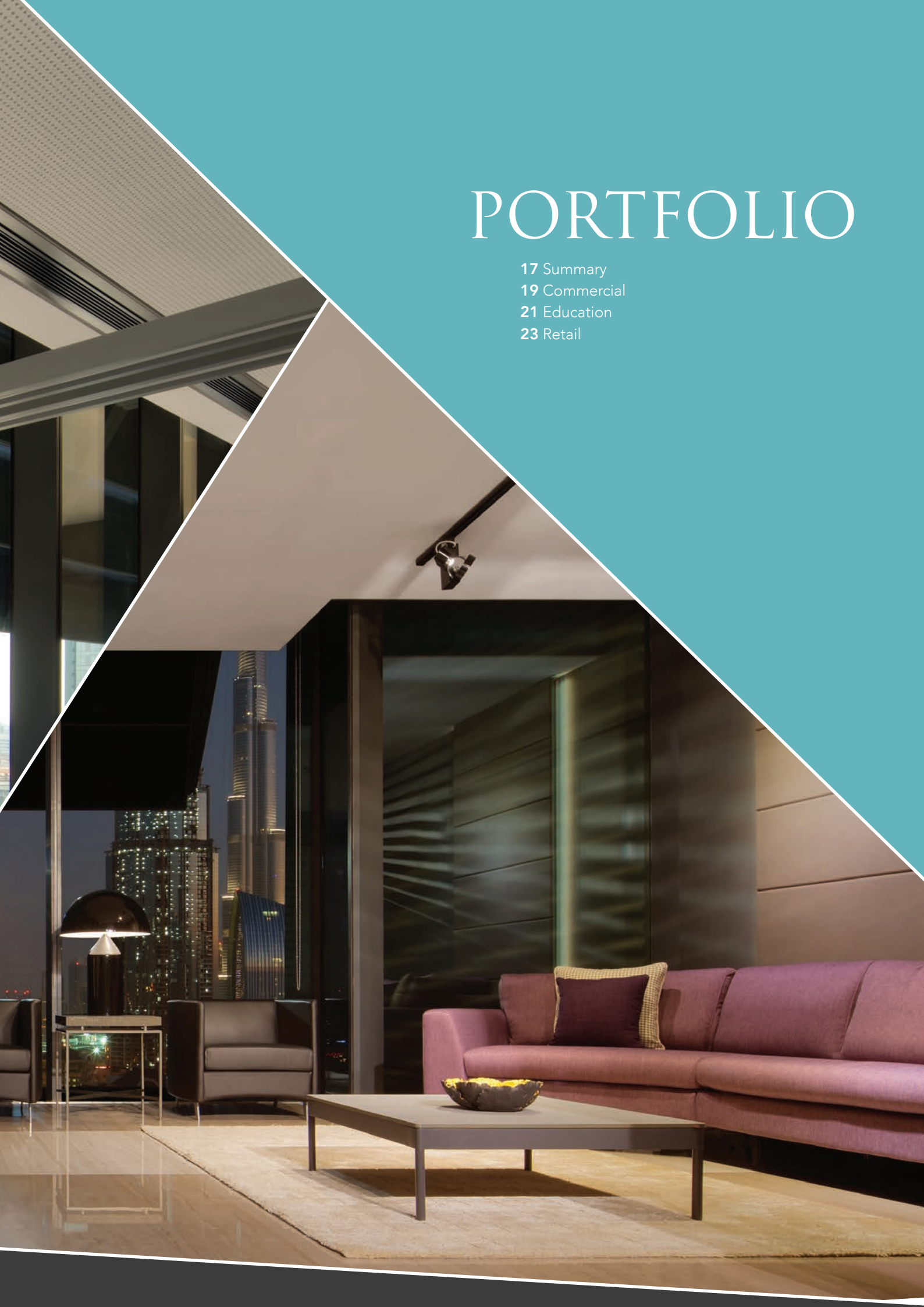
- Best Sharia Compliant Fund Manager 2017  
**The European**
- CEO of The Year UAE (Investment Category)  
**The European**
- Best Islamic Fund MENA 2017  
**Global Banking and Finance**
- Best Real Estate Investment Company 2017 MENA  
**Global Banking and Finance**
- Best Real Estate Investment Fund  
**CPI Financial**
- Best Real Estate Investment Company  
**CPI Financial**
- Best Diversified REIT Global 2017  
**CFI - Capital Finance International**
- Best Sharia Compliant Fund of the Year Middle East 2017  
**Markets Magazine**
- Best Real Estate Investment Company UAE 2017  
**Finance Digest Awards**





# PORTFOLIO

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# PORTFOLIO SUMMARY

## 01 COMMERCIAL PORTFOLIO

## 02 EDUCATION PORTFOLIO

## 03 RETAIL PORTFOLIO

Our portfolio is divided into three distinct categories; Commercial, Education and Retail. Here is the summary information of these categories for 2017.

Our Commercial portfolio is composed of five mixed-use properties, ranging from low-rise buildings to an 80-storey skyscraper.

The portfolio is well balanced with tenant types ranging from start-ups to regional headquarters of international companies. It provides a sustainable income to the REIT, while allowing for organic growth in rental rates.

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Our Education portfolio provides a stable and long term income.

Emirates REIT owns three school premises, including one currently under construction.

This sector sees a high demand for build-to-suit from education operators, which is likely to increase further as the Knowledge and Human Development Authority foresees a significant shortage in schools for the coming years.

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Our Retail portfolio is composed of two small malls and various retails based at the ground floors or our mixed-use buildings.

They provide a range of services to our tenants and the community closeby, from supermarkets, salons, printing services, coffee shops and restaurants.

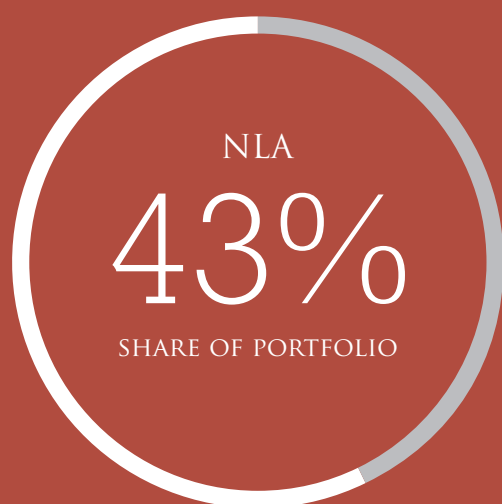
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# COMMERCIAL PORTFOLIO

Emirates REIT Commercial portfolio comprises five mixed-use properties: Index Tower, Office Park, Loft Offices, Building 24 and Indigo 7.

Office Park, Loft Offices, Building 24 and Indigo 7 show an occupancy rate of 97%. Index Tower, bought empty in 2014, is showing an office occupancy rate of 26% at end of June 2017.

The proactive management of the buildings allowed the REIT to keep both a good occupancy and sustainable increase in rates, even during economically challenging times in 2016 which extended to the first half of 2017.







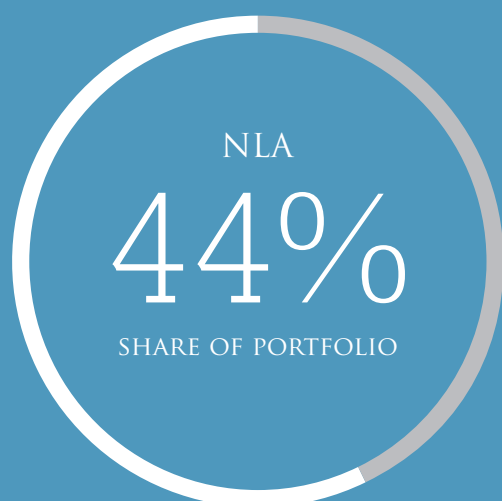
# EDUCATION PORTFOLIO

Emirates REIT Education portfolio comprises three education complexes : GEMS World Academy (GEMS), Jebel Ali School (JAS) and British Columbia Canadian School (BCCS).

All contracts are, at maturity, triple-net leases, allowing school operators to have full control of their premises as well as the responsibility of the maintenance and insurance of the building.

GEMS World Academy was acquired fully operational in 2014.

In 2015, the REIT acquired the land and started the construction of the Jebel Ali School. The construction was completed on time and on budget, and JAS started operating at the start of the academic school year 2016/17. In a similar model, the REIT acquired the plot for BCCS in September 2016. BCCS plans to start operations for the beginning of the academic school year 2017/18.





Jebel Ali  
School



# RETAIL PORTFOLIO

The retail component of the REIT's portfolio comprises of Trident Grand Mall (previously named Le Grande Community Mall), retail units in Office Park, Loft Offices, Building 24, Indigo, as well as the mall and part of level 30 in Index Tower.

The retail contracts are mainly on fixed rent basis, not on income-sharing basis, allowing the REIT to have a stable and long term view for those assets.

In 2016, the REIT Manager worked on redesigning Index Tower Mall. During H1 2017, the REIT Manager had appointed a contractor for remodeling & fit out, and as promised, the works in Index Tower Mall had started in Q2 2017. The mall opening is planned in Q1 2018 and ahead of the Gate Avenue delivery.





# TRIDENT GRAND

RESIDENCE

AL SHORFA  
RESTAURANT & CAFE

الشرفة  
مطعم و مقهى

SHORFA  
RESTAURANT & CAFE

الشرفة  
مطعم و مقهى

الشرفة



The cover features a photograph of a modern building's entrance at night, with a glass facade reflecting the city lights. In the background, a city skyline is visible, including a prominent skyscraper. The image is partially obscured by a large, light blue triangular graphic element that points towards the top right corner.

# REPORT OF THE REIT MANAGER

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**33** Risk Profile

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# REIT MANAGER'S REPORT

The Directors present their report for six months ended 30 June 2017.

## RESULTS AND DIVIDENDS

The Results for the period ended on 30 June 2017 are stated in the Statement of Comprehensive Income.

An interim dividend of USD 0.04 per ordinary share, (aggregate of USD 11.98 million) relating to the financial year ending 31 December 2016, was paid in January 2017.

In addition, a final dividend of USD 0.04 per ordinary share, (aggregate of USD 11.98 million), relating to the financial year ending 31 December 2016, was paid in June 2017 following approval at the Annual General Meeting of the shareholders held on 14 June 2017.

The total dividend paid relating to the year ending 31 December 2016 was USD 23.96 million (USD 0.08 per share).

## DIRECTORS

Details of the Corporate Governance Framework and the directors are set out on page 31 of this report.

No member of the Board has a material interest in any contract of significance with the Company, at any time during the period.

## SHARE CAPITAL

Emirates REIT (CEIC) Limited, 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 C000012.

It operates under the laws and regulations of the DIFC and DFSA, and in accordance with the principles of Shari'a.

Issued share capital for the company as at 30 June 2017, comprises of 299,620,541 ordinary shares listed on Nasdaq Dubai and one manager share held by the REIT Manager. Closing price of the ordinary shares as at 30 June 2017 was USD 1.029 each.

The REIT has one class 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.

In February 2013, the REIT was granted a Ruler's decree which allowed the REIT to invest, through its onshore Dubai Branch, in onshore Dubai properties.

In October 2016, Equitativa Real Estate Limited ('Equitativa'), the parent company of Equitativa Dubai, was granted an exclusive Emiri decree allowing current and future REITs to own onshore real estate in the Emirate of Ras Al Khaimah.

At 30 June 2017, the GCC shareholding was 62.4%.



## SUBSTANTIAL HOLDINGS

As at 30 June 2017, the following shareholders holding 5% or more of the REIT's issued share capital were:

	Issued Share Capital (%)
Dubai Islamic Bank PJSC	15.70%
Vintage Bullion DMCC	11.70%
Dubai Properties Group LLC	9.90%
General Pension & Social Security Authority	5.40%

## FINANCIAL INSTRUMENTS

All financial facilities are Shari'a compliant. For further details, see our financial statements.

## AUTHORIZATION OF DIRECTORS' CONFLICTS OF INTERESTS

Directors are required to notify the REIT of any conflict or potential conflict of interest. The Board confirms that no conflicts have been identified or notified to the REIT during the first half of 2017.

## 2017 ANNUAL GENERAL MEETING

The 2017 AGM was held on 14 June 2017. Following is the summary of the matters that were approved during the meeting.

For further information please refer to AGM 2017 pack available on our website.

## Change of Name & Address of The REIT Manager

The Articles of Association of the REIT were amended to reflect the change of name and effect the change of address of the REIT Manager.

## Interim Dividends

The shareholders approved that the Board may, at its discretion, pay an interim dividend to the shareholders, if the REIT has sufficient retained earnings relating to the financial year, and is able to pay its debts as they become due immediately after the dividend is paid.

## Related Party Transactions

The shareholders authorized the REIT (and the REIT Manager on behalf of the REIT) to enter into transactions with Related Parties regarding Sale & Purchase of Real Estate in the UAE, in accordance with the DFSA Rules.

## Annual Report and Accounts for 2016

The shareholders received and approved the Annual Report and the accounts of the REIT for the year ended 31 December 2016 together with the director's report and auditor's report on those accounts.

## Purchase Of Own Shares

The REIT was granted the authority to make one or more market purchases of its own shares, under the following conditions:

01. must be in accordance with the rules of the DFSA and Nasdaq Dubai.
02. the ordinary shares must be purchased prior to the next AGM unless a contract to purchase any shares was made before the next AGM.

This authority will expire at the conclusion of the 2018 AGM and a resolution will be proposed to seek further authority until the closure of the next AGM.

#### Re-Appointment of Existing Members of the Investment Board

The appointment of Mr Abdullah Al Hashemi, Mr Marwan Bin Ghulaita, and Mr David Savy, each an existing member of the Investment Board, was extended, until the conclusion of 2018 AGM.

The appointment of Dr Mohamed Abdul Hakim Zoeir, Mr Mian Muhammad Nazir, and Mr Fazal Rahim, each an existing member of the Shari'a Supervisory Board was extended, until the conclusion of 2018 AGM, or until any other such term determined by the REIT Manager.

#### Shari'a Supervisory Board Members

It was approved that the Board of the REIT can appoint the Shari'a Supervisory Board members without obtaining specific approval from the shareholders of the REIT.

Subsequently the revised Articles of Association of the REIT reflecting the authority of the Board for appointing the Shari'a Supervisory Board has been approved.

#### Auditors

PricewaterhouseCoopers (Limited) were reappointed as auditor, until closing of 2018 AGM.

#### Re-appointment of Existing Sharia Supervisory Board

## MATTERS TO BE BROUGHT TO SHAREHOLDERS' ATTENTION

### Related Party Transactions

For related party transactions during the first half of 2017, refer to our financial statements.

The on-going related party transactions during the first half of 2017, based on approved contracts or lease agreements, meet the requirements of the DFSA Rules.

## POST PERIOD EVENT OVERSIGHT BOARD MEMBER

Mr Fardan Ali Al Fardan resigned from the Oversight Board on 2 July 2017.

Mr Mustafa Naim Al Hashimi had replaced Mr Al Fardan as of 2 July 2017.

# CORPORATE GOVERNANCE FRAMEWORK

The REIT's corporate governance framework includes the following Boards:

## MANAGEMENT BOARD

The Management Board is responsible for guiding the REIT in their day to day operations, expanding and optimizing it's Portfolio.

It is comprised of Mr. Abdulla Al Hamli (Independent 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 and its adequacy and appropriateness. Furthermore, the Investment Board reviews and consents to all acquisitions and disposals.

It is comprised of Mr. Marwan Bin Ghulaita, Mr. David Savy and Mr. Abdulla Al Hashemi.

## OVERSIGHT BOARD

The Oversight Board oversees and supervises the activities of the REIT.

All Members of the Oversight Board are independent of the REIT.

The Oversight Board ensures that the REIT has adequate systems and controls in place, remains in compliance with any requirements of the relevant rules and regulations and reports its findings to both the REIT, and where necessary, to the DFSA.

As of 30 June 2017, the Oversight Board was comprised of Mr Suresh Kumar, Mr Fahad Kazim and Mr Fardan Al Fardan.

### Post Period Event

As at 2 July 2017, Mr. Fardan Al Fardan has resigned from the Oversight Board and was replaced by Mr Mustafa Naim Al Hashimi.

The Oversight Board now comprises of Mr Suresh Kumar, Mr Fahad Kazim, and Mr Mustafa Naim Al Hashimi.

## ADVISORY BOARD

The Advisory Board provides expert strategic advice, 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 are stakeholders in the REIT and can also provide specific ad-hoc advice in relation to various projects as needed.

The Advisory Board Members are Mr. Khalid Al Malik, Mr. Michael Wunderbaldinger, and Mr. Kunal Bansal.

## SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board ensures compliance by the REIT with Shari'a principles and where required, 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.

# RISK PROFILE

## INVESTMENT OBJECTIVE

The key investment objective of Emirates REIT is to provide shareholders with a Shari'a compliant income by maintaining a stable dividend distribution and increasing shareholder value through accretive acquisitions, active asset management 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 the consent of the Investment Board, the Shari'a Board and eventually the Management Board. In case of a related party transaction, the Oversight Board will also need to give their consent.

## 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 the income stability and overall returns. Since the incorporation of the REIT, the REIT Manager's team has studied over 750 investment opportunities, ensuring their knowledge of the market and quick actions.

### Active Asset Management Strategy

The Portfolio of the REIT is managed actively, in order to increase income and market valuations in the aim of delivering strong returns to the shareholders. The REIT Manager works closely with the property managers appointed to the buildings to optimise its portfolio in terms of occupancy and achievable rental income.

The REIT Manager applies the following key operating and management principles:

- Monitor the performance of the properties;
- Optimise the Net Leasable Area of the properties where possible;
- Establish close relationships and proactive management of the leases;
- Increase rental rates and property yields;
- Enhance the 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 portfolio has a relatively low risk profile benefiting from diversification across asset classes and long-term leases with a weighed average lease term of 8.2 years as at 30 June 2017, and only 15% of the leases expiring in the next three years (4% only within one year).

To maintain a strong financial position, the REIT seeks to adopt a prudent capital and financial management strategy, in an attempt to ensure continuous access to funding while maintaining stable dividend distributions and achieving steady growth in Net Asset Value per Share.

The REIT's continued performance is subject to, among other things, the conditions of the property market in the UAE, which can affect both the value and the rental income of any properties of the portfolio. Any deterioration in the property market could result in declines in rental incomes, in occupancy and in value of the properties. It may also weaken the REIT's ability to obtain financing for new investments.

Any of the above, amongst others 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 Board and as guided by the shareholders and at all times conforming to the investment policy defined by the REIT.

## RISK MANAGEMENT

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 a broad range of properties and seeking quality tenants with attractive lease terms and covenants;
- using Shari'a compliant debt financing as an attempt to provide additional capital and improve Shareholder returns over the long term where such Shari'a debt financing is appropriate, and ensuring that the gearing does not exceed 50% of the gross asset value;
- continually revisiting lines of credit and assessing a variety of possible financing structures; and
- actively considering opportunities to raise funds by way of the issue of new Shares in the long term.

# SHARI'A COMPLIANCE CERTIFICATE

Issued by the Shari'a Supervisory Board for the period ended 30 June 2017.

## 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 nine 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 Shari'a Supervisory Board also has oversight on the Shari'a audit of the REIT, which is conducted semi-annually (the "Shari'a Audit"). Pursuant to the Shari'a Audit, the Shari'a 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; (iii) financing facilities availed by the REIT (the "Activities and Transactions") and financials during the year comply with principles of Shari'a (as interpreted by the members of the Shari'a Supervisory Board) and the Fatawa of the Shari'a 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 Legal & Financial Consultancy LLC ("Dar Al Shari'a") on the REIT for the period commencing from 1 January 2017 and ending on 30 June 2017 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

## 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

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

- a) The Activities and Transactions executed by the REIT during the period commencing from 1 January 2017 and ending on 30 June 2017 (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 of the REIT's financing is in accordance with the principles of Shari'a.
- f) All contracts, including leases are in accordance with the principles of Shari'a.
- g) 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.





# OPERATING & FINANCIAL REVIEW

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INTELLIGENT  
CULTURE  
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INSPIRIN  
WELCOMING  
PLAYFUL HERITAGE

# FINANCIAL HIGHLIGHTS

## KEY FINANCIAL HIGHLIGHTS FOR THE REIT FOR H1 2017 CAN BE SUMMARISED AS:

Property income for H1 2017 amounted to USD 28.3 million, representing an increase of 19.8% from USD 23.6 million in H1 2016.

Net property income (including revaluation gains of USD 10.0 million) was USD 31.5 million, a decrease of 10.6% from USD 35.2 million in H1 2016.

Fund From Operations (FFO) for H1 2017 amounted to USD 8.3 million, representing an increase of 66.9% from USD 50 million in H1 2016.

The Total Expense Ratio for 6 months ended 30 June 2017 is 2.5% of the Gross Asset Value.

Investment property revaluation gain was 10.0 million in H1 2017.

The investment property value as at 30 June 2017 stood at USD 772 million compared to USD 753 million at 31 December 2016 reflecting the impact of the valuation gains during the period.

NAV per share was USD 1.63 as at 30 June 2017. Excluding the impact of the dividends paid of USD 0.08 per share, this represents an annualized percentage return of over 7.5%.

Borrowings to gross assets as at 30 June 2017 stood at 36.8%, well below the regulatory maximum for the REIT of 50%.

An interim dividend for FY 2016 of USD 0.04 per share (total USD 11.98 million) was paid before 31 January 2017.

A further final dividend for FY 2016 of USD 0.04 per share (total USD 11.98 million) was paid to the shareholders before 30 June 2017. Total dividends paid for FY 2016 totaled to USD 0.08 per share (USD 23.97 million).

# ANALYSIS OF RESULTS AND OPERATIONS

## SUMMARY

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Rental income	25,447	20,946	4,501	21.5%
Service fee income	2,746	2,512	234	9.3%
Other income	99	162	(63)	(38.8)%
<b>Property income</b>	<b>28,292</b>	<b>23,620</b>	<b>4,672</b>	<b>19.8%</b>
Property operating expenses	(6,822)	(7,233)	411	(5.7)%
<b>Net rental income</b>	<b>21,470</b>	<b>16,387</b>	<b>5,083</b>	<b>31.0%</b>
Net rental income margin %	75.9%	69.4%	6.5%	9.4%
Revaluation gains	9,999	18,805	(8,806)	(46.8)%
<b>Net property income</b>	<b>31,469</b>	<b>35,192</b>	<b>(3,723)</b>	<b>(10.6)%</b>
Management fees	(6,040)	(5,624)	(416)	7.4%
Performance fees	(567)	(734)	167	(22.8)%
General and administrative	(509)	(662)	153	(23.1)%
Other expenses	(314)	(233)	(81)	34.8%
<b>Operating profit</b>	<b>24,039</b>	<b>27,939</b>	<b>(3,900)</b>	<b>(14.0)%</b>
Finance cost, net	(5,723)	(4,151)	(1,572)	37.9%
<b>Net profit</b>	<b>18,316</b>	<b>23,788</b>	<b>(5,472)</b>	<b>(23.0)%</b>
<b>Funds From Operations</b>	<b>8,317</b>	<b>4,983</b>	<b>3,334</b>	<b>66.9%</b>

## RENTAL INCOME

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Building 24	1,045	1,073	(28)	(2.6)%
Indigo 7	458	477	(19)	(4.0)%
Loft Offices	2,997	3,033	(36)	(1.2)%
Office Park	7,063	6,918	145	2.1%
GEMS World Academy	4,948	4,974	(26)	(0.5)%
Index Tower	3,453	2,005	1,448	72.2%
Le Grande	924	1,112	(188)	(16.9)%
Jebel Ali School	3,939	1,354	2,585	190.9%
British Columbia Canadian School	620	0	620	0.0%
<b>Total</b>	<b>25,447</b>	<b>20,946</b>	<b>4,501</b>	<b>21.5%</b>

## SERVICE FEE INCOME

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Building 24	239	238	1	0.4%
Indigo 7	22	22	0	0.0%
Loft Offices	653	723	(70)	(9.7)%
Office Park	1,253	1,070	183	17.1%
Index Tower	370	262	108	41.2%
Le Grande	209	197	12	6.1%
<b>Total</b>	<b>2,746</b>	<b>2,512</b>	<b>234</b>	<b>9.3%</b>

Service charges are now audited annually and are set based on full operational cost recovery.

## PROPERTY OPERATING EXPENSES

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Property management fees	761	681	80	11.7%
Facility management fees - fixed	955	919	36	3.9%
Facility management fees - variable	499	521	(22)	(4.2)%
Utilities	1,079	1,111	(32)	(2.9)%
Community fees	47	102	(55)	(53.9)%
Land rent	622	623	(1)	(0.2)%
Service charges	2,483	2,835	(352)	(12.4)%
Other	376	441	(65)	(14.7)%
<b>Total</b>	<b>6,822</b>	<b>7,233</b>	<b>(411)</b>	<b>(5.7)%</b>

## GAIN ON REVALUATION OF INVESTMENT PROPERTIES

USD '000	31 Dec 2016	Adjustment*	Valuation Gains / Losses	Investment property value 30 Jun 2017**
Building 24	19,257	28	46	19,331
Indigo 7	7,852		(11)	7,841
Loft Offices	77,969		(648)	77,321
Office Park	134,342	(1)	536	134,877
Index Tower – Retail	36,016	525		36,541
GEMS World Academy	86,665		158	86,823
Index Tower – Office	260,087	1,353	5,908	267,348
Index-Tower – Car park	8,712			8,712
Le Grande Mall	33,419		(1,367)	32,052
Jebel Ali School	83,567		1,764	85,331
British Columbia Canadian School	4,817	7,484	3,613	15,914
<b>Total</b>	<b>752,703</b>	<b>9,389</b>	<b>9,999</b>	<b>772,091</b>

\* Adjustments/additions during the period.

\*\* Refer to Note 6 in the financial statements

## GENERAL AND ADMINISTRATIVE EXPENSES

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change
Board fees	164	126	38
Valuation fees	76	58	18
Legal and audit expenses	55	86	(31)
Branding / Marketing	122	303	(181)
Fund administration fees	92	89	3
<b>Total</b>	<b>509</b>	<b>662</b>	<b>(153)</b>

## MANAGEMENT FEES

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Management fee	6,040	5,624	416	7.4%
Performance fee	567	734	(167)	(22.8)%
<b>Total</b>	<b>6,607</b>	<b>6,358</b>	<b>249</b>	<b>3.9%</b>

## NET FINANCE COST

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Islamic finance expense	5,803	4,213	1,590	37.7%
Profit on current and savings accounts	(8)	(6)	(2)	33.3%
Profit on Wakala deposits	(72)	(56)	(16)	28.6%
<b>Total</b>	<b>5,723</b>	<b>4,151</b>	<b>1,572</b>	<b>37.9%</b>



## LIQUIDITY AND CAPITAL RESOURCES

USD '000	30 Jun 2017	30 Jun 2016	Absolute Change	Change %
Net cash from operating activities	13,719	8,529	5,190	60.9%
Net cash used in investing activities	(9,545)	(19,546)	10,001	(51.2)%
Net cash used in financing activities	(43,031)	(12,530)	(30,501)	243.4%
Net decrease in cash	(38,857)	(23,547)	(15,310)	65.0%
Cash at the beginning of the period	64,573	63,735	838	1.3%
Cash at the end of the period	25,716	40,188	(14,472)	(36.0)%

Investing activities relate to development of British Columbia Canadian School.

## ISLAMIC FINANCE FACILITIES

USD '000	30 Jun 2017	31 Dec 2016
Current portion	29,796	28,819
Long term portion	270,396	284,830
<b>Total</b>	<b>300,192</b>	<b>313,649</b>





# FINANCIAL STATEMENTS

for the six months ended 30 June 2017

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# INDEPENDENT AUDITOR'S REVIEW REPORT

# 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 2017 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. Equitativa (Dubai) Limited (the "REIT Manager") is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on these 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 El Borno**  
23 August 2017

# CONDENSED INTERIM BALANCE SHEET

		AS AT 30 JUN	AS AT 31 DEC
	Notes	2017	2016
		USD' 000 Unaudited	USD' 000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	6	772,091	752,703
Trade and other receivables	7	10,851	8,055
		782,942	760,758
<b>Current assets</b>			
Trade and other receivables	7	6,770	7,137
Cash and cash equivalents	8	25,716	64,573
		32,486	71,710
<b>TOTAL ASSETS</b>		<b>815,428</b>	<b>832,468</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	299,621	299,621
Share premium	9	59,393	59,393
Retained earnings		128,751	134,405
<b>Total equity</b>		<b>487,765</b>	<b>493,419</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	14	270,396	284,830
<b>Current liabilities</b>			
Islamic financing	14	29,796	28,819
Trade and other payables	15	27,471	25,400
		57,267	54,219
<b>Total liabilities</b>		<b>327,663</b>	<b>339,049</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>815,428</b>	<b>832,468</b>
Net asset value (USD)		487,765,564	493,418,917
Number of shares		299,620,541	299,620,541
Net asset value per share		1.63	1.65

This condensed interim financial information was approved by the Board of Directors of Equitativa (Dubai) Limited as the sole director of the REIT on 23 August 2017 and signed on its behalf by:

**Sylvain Vieujot**  
Executive Deputy Chairman

**Remi Ishak**  
Chief Financial Officer

The notes on pages 57 to 68 form an integral part of the condensed interim financial information.

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME



## FOR THE SIX MONTHS ENDED 30 JUN

	Notes	2017	2016
		USD' 000 Unaudited	USD' 000 Unaudited
Rental income		25,447	20,946
Service fee income		2,746	2,512
Other property income		99	162
<b>Total property income</b>		<b>28,292</b>	<b>23,620</b>
Property operating expenses		(6,822)	(7,233)
		21,470	16,387
Net unrealised gain on revaluation of investment property	6	9,999	18,805
<b>Net property income</b>		<b>31,469</b>	<b>35,192</b>
<b>Expenses</b>			
Management fee		(6,040)	(5,624)
Performance fee		(567)	(734)
Branding and marketing fees		(122)	(303)
Board fees		(164)	(126)
REIT administration fee		(92)	(89)
Valuation fees		(76)	(58)
Legal and professional fees		(55)	(86)
Other expenses		(314)	(233)
<b>Operating profit</b>		<b>24,039</b>	<b>27,939</b>
Finance cost		(5,803)	(4,213)
Finance income		80	62
Finance costs, net		(5,723)	(4,151)
<b>Profit and total comprehensive income for the period</b>		<b>18,316</b>	<b>23,788</b>
<b>Earnings Per Share</b>			
Basic and diluted Earnings Per Share (USD)	11	0.06	0.08

The notes on pages 57 to 68 form an integral part of the condensed interim financial information.

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Retained earnings	Total
		USD' 000	USD' 000	USD' 000	USD' 000
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					
Cash dividends	10	-	-	(23,970)	(23,970)
<b>At 30 June 2016 (Unaudited)</b>		<b>299,621</b>	<b>59,393</b>	<b>110,370</b>	<b>469,384</b>
At 1 January 2017		299,621	59,393	134,405	493,419
Comprehensive income					
Profit for the period		-	-	18,316	18,316
Transactions with shareholders					
Cash dividends	10	-	-	(23,970)	(23,970)
<b>At 30 June 2017 (Unaudited)</b>		<b>299,621</b>	<b>59,393</b>	<b>128,751</b>	<b>487,765</b>

The notes on pages 57 to 68 form an integral part of the condensed interim financial information.

# CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUN

	Notes	2017	2016
		USD' 000 Unaudited	USD' 000 Unaudited
<b>Operating activities</b>			
Profit for the period		18,316	23,788
<b>Adjustments for:</b>			
Net unrealised gain on revaluation of investment property	6	(9,999)	(18,805)
Finance costs		5,803	4,213
Finance income		(80)	(62)
<b>Operating cash flows before changes in working capital</b>		<b>14,040</b>	<b>9,134</b>
<b>Changes in working capital:</b>			
Trade and other receivables	7	(2,429)	1,036
Trade and other payables		2,108	(1,641)
<b>Net cash generated from operating activities</b>		<b>13,719</b>	<b>8,529</b>
<b>Investing activities</b>			
Additions to investment property		(9,625)	(19,608)
Finance income received		80	62
<b>Net cash used in investing activities</b>		<b>(9,545)</b>	<b>(19,546)</b>
<b>Financing activities</b>			
Movement in Islamic financing facilities (net)		(13,660)	15,175
Dividends paid	10	(23,970)	(23,970)
Finance cost paid		(5,401)	(3,735)
<b>Net cash used in financing activities</b>		<b>(43,031)</b>	<b>(12,530)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(38,857)</b>	<b>(23,547)</b>
Cash and cash equivalents at the beginning of the period		64,573	63,735
<b>Cash and cash equivalents at the end of the period</b>		<b>25,716</b>	<b>40,188</b>

The notes on pages 57 to 68 form an integral part of the condensed interim financial information.



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 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 Equitativa (Dubai) Limited (the "REIT Manager") (formerly known as Emirates REIT Management (Private) Limited), 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 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.

This condensed financial information has been approved by the REIT Manager as the sole director of the REIT on 23 August 2017.

## 2 BASIS OF PREPARATION

This condensed interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34"). This condensed interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 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 REIT's business activities.

### Operating segments

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Accounting policies

The accounting policies applied in this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016.

### 3.2 New standards, amendments and interpretations

#### a. New standards, amendments and interpretations adopted by the REIT

- IAS 7, 'Statement of cash flow' (amendment) (effective from 1 January 2017).

The above amendments did not have a material impact on the financial information in the prior or current periods and is not likely to have a material impact on any future periods.

There are no other IFRSs or IFRS IC interpretations that are effective and would be expected to have a material impact on the REIT.

**b. New and amended standards issued but not effective for the financial period beginning 1 January 2017 and not early adopted:**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the REIT's condensed interim financial information are disclosed below. The REIT Manager is currently assessing the impact of these standards and amendments and intends to adopt these standards, if applicable, when they become effective.

- IFRS 9, 'Financial instruments' (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

There are no other standards or IFRS IC interpretations that are not yet effective and that would be expected to have a material impact on the REIT.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim 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 financial information, the significant judgement made by the REIT Manager in applying the REIT's accounting policies and the key source of estimation uncertainty for the period ended 30 June 2017 is as follows:

**a. Revaluation of investment property**

The REIT carries its investment property 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 property held, to determine the fair values of investment property as at 30 June 2017. For all investment property, 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 sales comparison method by which value of asset is derived by comparing it with prices achieved from transactions in similar properties.

The determined fair value of the investment property 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 property 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 2016.

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 PROPERTY

	Properties		Total
	Completed properties	under construction	
	USD' 000	USD' 000	USD' 000
<b>At 1 January 2017</b>	<b>747,886</b>	<b>4,817</b>	<b>752,703</b>
Work in progress during the period	-	7,484	7,484
Additional re-development and fitout carried on completed properties	1,905	-	1,905
Net unrealised gain on revaluation of investment property	6,386	3,613	9,999
<b>At 30 June 2017</b>	<b>756,177</b>	<b>15,914</b>	<b>772,091</b>
<b>At 1 January 2016</b>	<b>670,066</b>	<b>3,161</b>	<b>673,227</b>
Acquisitions during the period	5,566	24,398	29,964
Net unrealised gain on revaluation of investment property	18,805	-	18,805
<b>At 30 June 2016</b>	<b>694,437</b>	<b>27,559</b>	<b>721,996</b>

As at the reporting date, the REIT held total investment property amounting to USD 772,091 thousand (30 June 2016: USD 721,996 thousand) in a real estate portfolio of nine properties (30 June 2016: eight properties) located in Dubai, UAE.

One of the REIT's investment properties is constructed on a plot in Dubai which is under a land lease agreement for a remaining period of 22.2 years. The fair value of this property amounted to USD 7,841 thousand. Another property is constructed on a plot which is under a land lease agreement, with a remaining lease period of 39.4 years as of 30 June 2017. The fair value of this property as of the balance sheet date amounted to USD 86,823 thousand. An additional property is being constructed on a plot which is under a land lease agreement with a remaining lease period of 26.7 years renewable for another term of 30 years. The fair value of this property amounted to USD 15,914 thousand.

### British Columbian Canadian School

On 28 September 2016, the REIT acquired the leasehold interest in a 25,000 square meter plot of land which was leased to the British Columbian Canadian School on a 28 year lease term.

## 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.

The 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 the main assumptions used in arriving at the fair value of investment property is as follows:

	30 Jun 2017	30 Jun 2016
Stabilised occupancy rate (%)	90 - 100	90 - 100
Equivalent yield (%)	8.45 - 9.52	8.00 - 8.99
Operating Expenses (USD/sq. ft.)	7.88 - 17.78	7.88 - 25.05

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 591,459,530 (31 December 2016: USD 587,304,887) are mortgaged against Islamic financing facilities (Note 14).

## 7 TRADE AND OTHER RECEIVABLES

	30 Jun 2017	31 Dec 2016
	USD' 000	USD' 000
Rental and service income receivables	1,665	1,120
Less: Provision for doubtful debts	(412)	(412)
	1,253	708
Accrued income	13,169	10,247
Prepayments	2,335	3,333
Other receivables	864	904
	17,621	15,192
Less: non-current portion – accrued income	(10,851)	(8,055)
Current portion	6,770	7,137

Accrued income 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 IAS 17. Together with USD 10,851 thousand (31 December 2016: USD 8,055 thousand), which was included as a non-current asset, these amounts totaled USD 13,169 thousand as at 30 June 2017 (31 December 2016: USD 10,247 thousand).

## 8 CASH AND CASH EQUIVALENTS

	30 Jun 2017	31 Dec 2016
	USD' 000	USD' 000
Current and savings accounts	25,716	64,573

Balances with banks are placed with local Islamic banks.

## 9 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares USD' 000	Share premium USD' 000	Total USD' 000
At 30 June 2016	299,620,541	299,621	59,393	359,014
At 30 June 2017	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:

- (i) One Manager Share with a par value of USD 100; and
- (ii) 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.

## 10 DIVIDENDS

In January 2017, the REIT paid an interim dividend in respect of the year ended 31 December 2016 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 16 January 2017.

In June 2017, the REIT paid a final dividend in respect of the year ended 31 December 2016 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 2017.

## 11 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 Jun 2017 USD' 000	30 Jun 2016 USD' 000
Profit attributable to ordinary shareholders (USD)	18,316,344	23,787,847
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541
Basic and diluted earnings per share (USD)	0.06	0.08

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

## 12 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.

## 13 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.

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

### a. Related party transactions

	30 Jun 2017	30 Jun 2016
	USD' 000	USD' 000
Equitativa (Dubai) Limited		
Management fee	(6,040)	(5,624)
Performance fee	(567)	(734)
Rental and service income	-	112
	(6,607)	(6,246)

### b. Due to related parties comprises:

	30 Jun 2017	31 Dec 2016
	USD' 000	USD' 000
Equitativa (Dubai) Limited	567	1,766

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. The first performance fee paid after listing was calculated at 5% on the increase in net asset value per share from the base net asset value per share and the number of shares in issue immediately prior to admission (i.e. excluding any offer shares made as part of the admission).

All transactions with related parties are approved by the REIT Manager. The outstanding balances at the period-end are unsecured and profit rate free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period 30 June 2017, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (period ended 30 June 2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### Transactions with key management personnel

During the period ended 30 June 2017 and the year ended 31 December 2016, there were no key management personnel as the REIT is managed by the REIT Manager for which a REIT Management fee is paid.

## 14 ISLAMIC FINANCING

Ijarah facilities	Current	Non-current	Total
	USD' 000	USD' 000	USD' 000
At 30 June 2017	29,796	270,396	300,192
At 31 December 2016	28,819	284,830	313,649

At 30 June 2017 the weighted average cost of finance taking into account the profit rate attributable to each loan and the amortisation of financing transaction costs was 3 month EIBOR + 2.6% (31 December 2016: 3 month EIBOR +2.6%).

## 15 TRADE AND OTHER PAYABLES

	30 Jun 2017	31 Dec 2016
	USD'000	USD' 000
Deferred income	9,166	9,003
Payable against investment property	5,365	5,603
Tenant deposits payable	5,490	4,841
Service fee received in advance	2,177	1,041
Accrued expenses	3,075	1,777
Accrued profit payable	1,528	1,326
Accrued performance fee	567	1,479
Management fee payable	-	287
Administration fee payable	77	31
Other payables	26	12
	27,471	25,400

Included in the above accounts are balances due to related parties amounting to USD 567 thousand (31 December 2016: USD 1,766 thousand) (Note 13).



## 16 COMMITMENTS

### (a) Capital commitments

As of 30 June 2017, the REIT had capital commitments of USD 35,316 thousand (31 December 2016: USD 20,134 thousand) out of which USD 16,056 thousand (31 December 2016: USD 18,960 thousand) pertains to the construction of British Columbia Canadian School and USD 19,260 thousand (31 December 2016: 1,174 thousand) pertains to fit-out and re-development work at Index Tower office and retail.

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

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

	30 Jun 2017	31 Dec 2016
	USD '000	USD' 000
Within one year	1,251	1,251
After one year but not more than five years	5,005	5,005
More than five years	25,026	25,652
	31,282	31,908

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

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

	30 Jun 2017	31 Dec 2016
	USD '000	USD' 000
Within one year	40,499	39,948
After one year but not more than five years	121,627	106,210
More than five years	492,780	495,262
	654,906	641,420

# OUR DETAILS

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الإمارة

Emirates REIT











