Emirates Reit

Annual Report 2015

Emirates REIT (CEIC) Limited

All Information is as at 31 December 2015, unless otherwise specified

Key Figures 2015

Distribution yield

6.3%

Based on distribution per share of USD 0.08 for FY 2015, based on the market closing of USD 1.26 per share as at 31 December 2015

Portfolio Value

+17.0%

Increased to USD **673 mn** (AED **2.4 bn**) year-on-year due to the fit-out works in Index Tower and the acquisition of Jebel Ali School

Net Property Income

+27.1%

Increased to USD **81.8 mn** year-on-year mainly due to the acquisition and lease of Jebel Ali School and revaluation gains reflecting the fit-out of some floors in Index Tower, and the increase of portfolio's occupancy

Portfolio Occupancy

+10.1%

Increased to **76.7%**, including Index, as at 31 December 2015

Net Asset Value

+8.7%

Increased to USD **1.57** per share, or USD **470 mn** (AED **1.7 bn**)

Passing Income

+19.0%

Increased to USD **42.6 mn** (AED **156.6 mn**)

Net Profit

+26.7%

Increased to USD **61.5 mn** (AED **226 mn**) year-on-year

All percent comparison are year-on-year, from 31 December 2014.

2015 in brief

Q1 2015

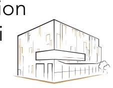
31 January
Dividend Distribution
USD 0.04 per share

Q2 2015

30 June
Dividend Distribution
USD 0.04 per share

Q3 2015

03 August
Acquisition Jebel Ali School



Q4 2015

Portfolio Value

USD 673 mn

AED 2.4 bn

NLA

Net Leasable Area

16.69 acres

166,850 m²

WALE

Weighted Average Lease Expiry

8.5

NAV

Net Asset Value

USD 470 mn

AED 1.7 bn

Key Portfolio Statistics

	Year ended 31 December			
	2015	2014	Absolute Change	Change %
Number of Properties	8	7	1	
Portfolio Occupancy (incl. Index Tower)	76.7%	66.6%	10.1%	-
Portfolio Occupancy (excl. Index Tower)	95.4%	94.1%	1.3%	-
Number of Tenants	225	204	21	10.3%
Net Leasable Area (m²)	166,801	152,847	13,954	9.1%
Market Value (USD million) [1]	673.23	575.33	97.90	17.0%
Passing Income (USD million) [2]	42.6	35.8	6.8	19.0%

[1] Market Value is including Investment Property under construction, re-development and fit-out

[2] Passing income represents the annualised value of contractual rentals at the end of the relevant period

Income and Earnings

	Year ended 31 December			
USD'000	2015	2014	Absolute Change	Change %
Property income	41,489	36,926	4,563	12.4%
Net property income	81,883	64,447	17,436	27.1%
Operating profit	68,062	53,678	14,384	26.8%
Finance cost, net	(6,563)	(5,120)	(1,443)	28.2%
Net profit	61,499	48,558	12,941	26.7%
Funds from operations (FFO) [1]	8,246	11,887	(3,641)	(30.6)%
EPS (USD) [2]	0.2053	0.1878	0.0175	9.3%
FFO per share [2]	0.0275	0.0460	(0.0185)	(40.2)%
Portfolio Return [3]	14.2%	10.3%	3.9%	-

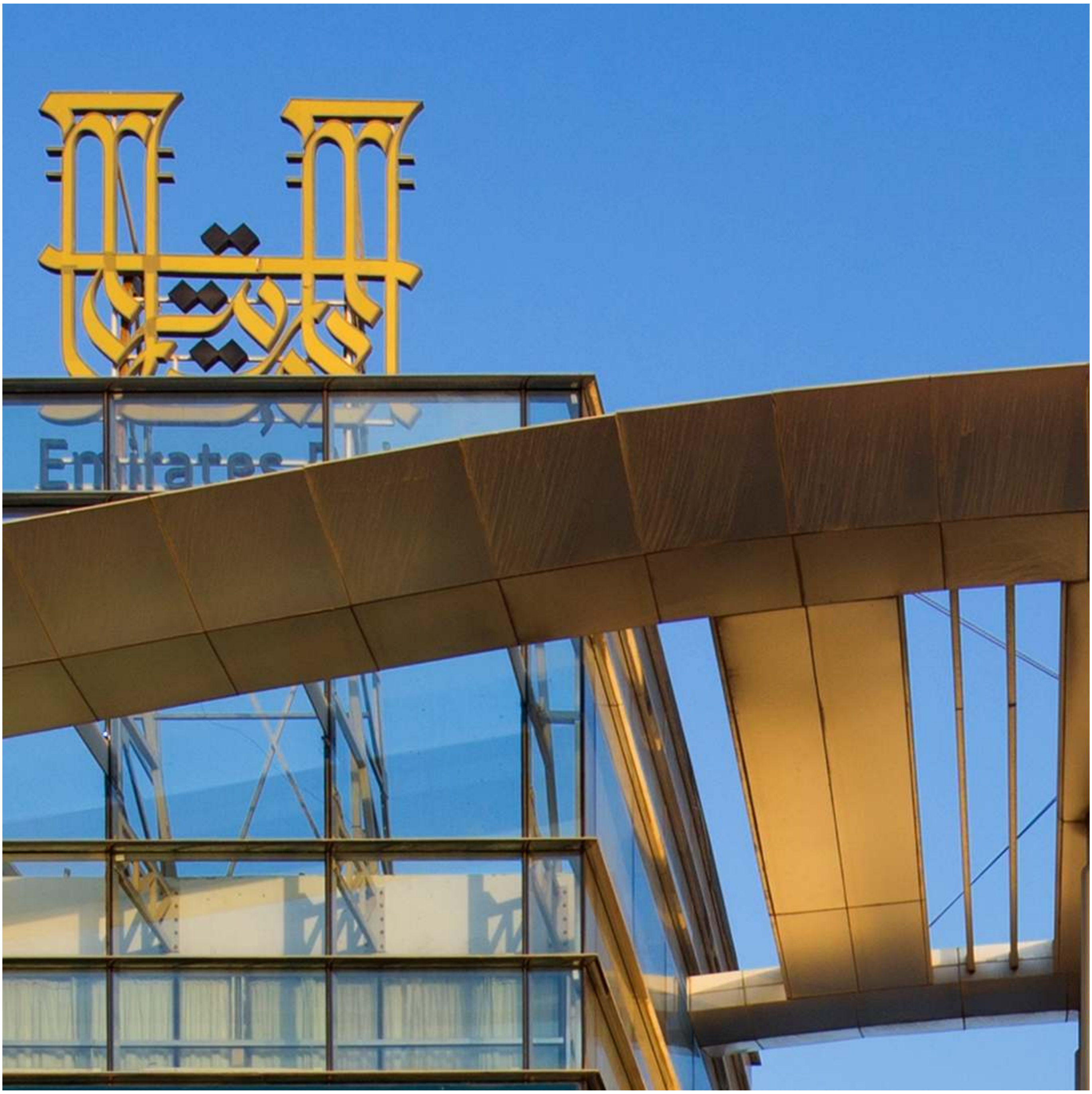
[1] FFO comprises net profit excluding revaluation gains and IPO costs

[2] Based on weighted average number of shares

[3] Portfolio return comprises annual growth in NAV per share, including the dividend paid to shareholders

Balance Sheet

	Year ended 31 December			
USD'000	2015	2014	Absolute Change	Change %
Investment property	673,227	575,332	97,895	17.0%
Total assets	741,344	594,149	147,195	24.8%
Equity	469,566	432,036	37,530	8.7%
Liabilities	271,778	162,113	109,665	67.6%
NAV per share (USD)	1.5672	1.4419	0.1253	8.7%
LTV	34.7%	25.8%	8.9%	-
Net cash from operating activities	16,810	11,760	5,050	42.90%


Emirates

Chairman's Statement

Dear Shareholders,

I am delighted to report a strong financial and operating performance for 2015, which further cements our market-leading position as the first and only listed REIT in the UAE.

Since our establishment in 2010, what truly distinguishes Emirates REIT is our particular focus on quality. We invest in high quality and high potential properties in prime locations, we refurbish and maintain our assets to the best standards and, as a result, we attract a strong and diversified tenant base.

This means that our fortunes are largely in our own hands regardless of market cyclicality. This has proven to be the case in 2015 when, in the face of tightening liquidity conditions and the first signs of a cyclical downturn in the property market, we continued to grow our rental income and deliver improved shareholder value.

During 2015, we remained focused on our core principles of disciplined acquisitions, active tenant portfolio management and prudent risk management.

This continued to deliver our two core objectives. First, stable income growth: property income increased by 12.4 per cent or USD 4.6 million to USD 41.5 million and earnings per share rose by 9.3 per cent to 20.53 cents. Second, growing the value of the REIT: Net Asset Value rose by 8.7 per cent to USD 1.57 per share, net of dividends paid amounting to USD 0.08 per share. The total return for FY2015 reached 14.2%.

Supporting these numbers is a continued performance improvement from our more mature property assets, the advantageous acquisition of Jebel Ali School and good progress in fitting-out and leasing offices at Index Tower.

Overall, the stage is set for a sustained period of organic income growth and shareholder value as our occupancy levels rise further, complemented by selective acquisitions that our strong financial base allows us to take advantage of during the expected cyclical downturn.

A key achievement during 2015 was the good progress made at Index Tower, which is an important, high-potential asset in our portfolio and one of the key drivers of future growth. We fitted-out three floors with unique design and high-quality furnishing and leased two floors shell and core. Index Tower constitutes 42 per cent of our property portfolio by value and 23 per cent of our leasable area, but currently contributes just 5 per cent of our income. In view of the exceptional quality of Index Tower, its prime location and the good demand witnessed since it has started to come to market, we expect its contribution to continue to rise over the medium term.

Aside from Index Tower, the other assets in our property portfolio have also performed well during 2015, with average occupancy rising from 94.1 per cent to 95.4 per cent.

In August 2015, the REIT entered into an agreement for the construction of a new school in the Akoya development, an upcoming prime residential development in Dubai. We acquired the freehold land plot at a cost of USD 29 million and leased it immediately to the school operator at a 10.1% net yield. This transaction not only enhances rental income from inception but provides long term secure cash flows and diversity to the overall portfolio.

We seek to generate growing and sustainable total returns to our shareholders and continue to pay a regular, stable dividend. During 2015, we paid USD 24.0 million or 8 cents per share to shareholders in respect of the 2014 financial year and declared an interim dividend for 2015 of USD 12.0 million or 4 cents per share paid in January 2016.

In summary, after a successful 2015 we expect 2016 to be an other good year. We believe that we will be able to continue to grow our rental income, and that our financial position will help us to take advantage of a buyer's market.

Abdulla Al Hamli
Chairman

AT A GLANCE

Company Profile

Emirates REIT (CEIC) Limited ("Emirates REIT" or "REIT") is a closed-ended investment company with a mandate to invest in a diversified portfolio of Shari'a compliant real estate properties.

It was established in the Dubai International Financial Centre ("DIFC") on 28 November 2010 by Emirates REIT Management (Private) Limited (the "REIT Manager"). It is the first and only listed REIT in the United Arab Emirates.

Emirates REIT operates under the Dubai Financial Services Authority's ("DFSA") Collective Investment Rules ("CIR") and is the first Shari'a compliant real estate investment trust incorporated in the DIFC.

In February 2013, an exclusive Ruler's Decree was granted to Emirates REIT permitting it to purchase properties in onshore Dubai through its onshore Dubai branch.

On 8 April 2014, following an international initial public offering, Emirates REIT's ordinary shares were admitted to the Official List of Securities of the DFSA and admitted to trading on NASDAQ Dubai Limited under the ticker symbol 'REIT'.

For the year ended 31 December 2015, Emirates REIT had profit and total comprehensive income of USD 61.50 million, (31 December 2014: USD 48.56 million).

Emirates REIT's total assets were USD 741.34 million (AED 2.7 billion) as at 31 December 2015, an increase of 24.8% from USD 594.15 million (AED 2.2 billion) as at 31 December 2014. As at 31 December 2015, Emirates REIT's net asset value per share (as calculated by its REIT Administrator, Maples Fund Services (Middle East) Limited) had risen to USD 1.57 from USD 1.44 as at 31 December 2014.

Emirates REIT is managed by Emirates REIT Management (Private) Limited (the "REIT Manager"), which was incorporated in the DIFC on 27 October 2010 and is regulated by the DFSA. The REIT Manager was created as a joint venture between Dubai Islamic Bank PJSC ("DIB") and Eiffel Management Limited. On 1 March 2015, Eiffel Management Limited acquired DIB's 25% stake in the REIT Manager.

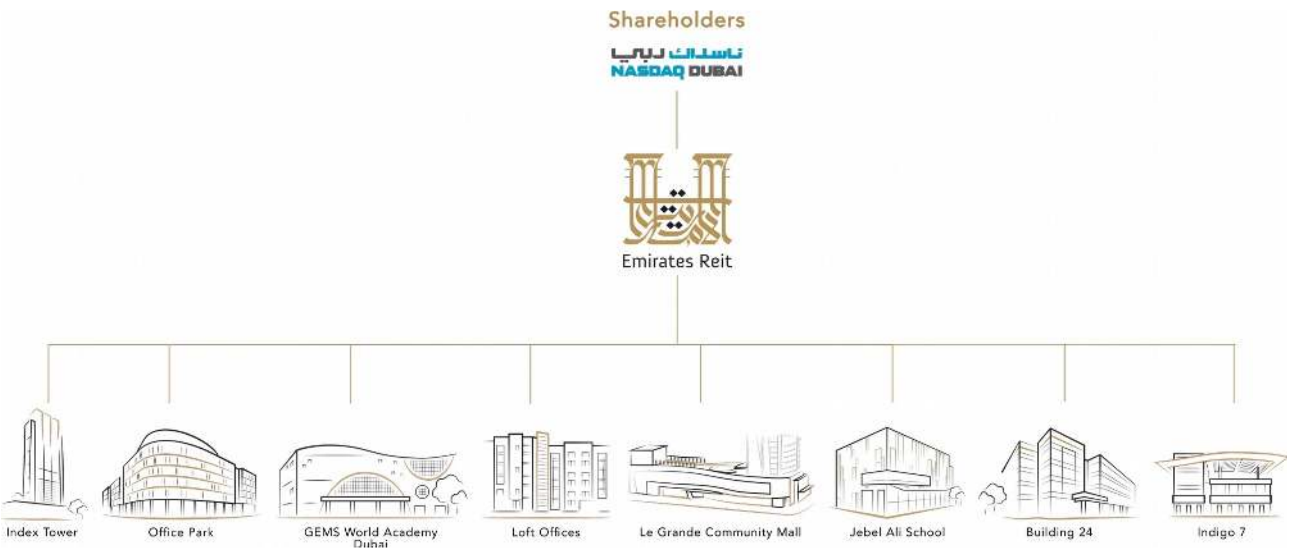
As at publication of this report, Eiffel Management Limited now owns 100% of the REIT Manager's total issued share capital.

REIT Details

REIT Name	Emirates REIT (CEIC) Limited
Date of Incorporation	28 November 2010
Share ISIN	AEDFXA1XE5D7
NASDAQ Dubai Ltd Trading Symbol	REIT
REIT Manager	Emirates REIT Management (Private) Limited
Portfolio Size	USD 673.23 million (AED 2.47 billion)
Gross Asset Value	USD 741.34 million (AED 2.72 billion)
Investment Board	Marwan Bin Ghulaita – CEO of RERA (Real Estate Regulatory Agency) Abdulla Al Hashemi – Director and Board member of DEWA (Dubai Electricity and Water Authority), Director and Owner of Al Hashemi (Planning, architectural and engineering company) Captain David Ralph Savy – Chairman of the Seychelles Civil Aviation Authority
Oversight Board	Nasser Rafi – Chief Executive Officer of Emaar Malls Groups LLC Abdul Wahab Al Halabi – Group Chief Investment Officer at Meraas Holdings Suresh Kumar – Chairman of the Values Group
Advisory Board	Khalid Al Malik – Chief Business Development Officer Kunal Bansal – Director and Partner at Vintage Bullion DMCC Michael Wunderbaldinger – Chief Financial Officer at TECOM Investments
Shari'a Supervisory Board	Dr Mohamed Abdul Hakim Zoeir Mian Muhammad Nazir Dr. Muhiuddin Ghazi
Auditor	PricewaterhouseCoopers Limited
Valuers	Asteco Property Management LLC CBRE DIFC Limited
Administrator	Maples Fund Services (Middle East) Limited Administration Fee: Sliding scale dependent on portfolio value (max 0.045% of NAV)
Fee Structure	Management Fee: 1.5% of REIT Gross Asset Value Performance Fee: 3% of increase in NAV

Emirates REIT in Brief

- The UAE first Shari'a compliant REIT established in the DIFC
- Focus on income-producing assets with attractive investment fundamentals
- Portfolio comprising interests in 8 properties and c. 1.852 million sqft (172,075 m^2)
- 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
- DIFC REIT Regulation Highlights :
  - Minimum of 80% of the net income distributed
  - Majority of the investments must be in real estate related assets
  - Limit on borrowing : 50% of Gross Asset Value
  - Limited development activity : 30% of portfolio
  - Invest only in properties under development if it intends to hold the property



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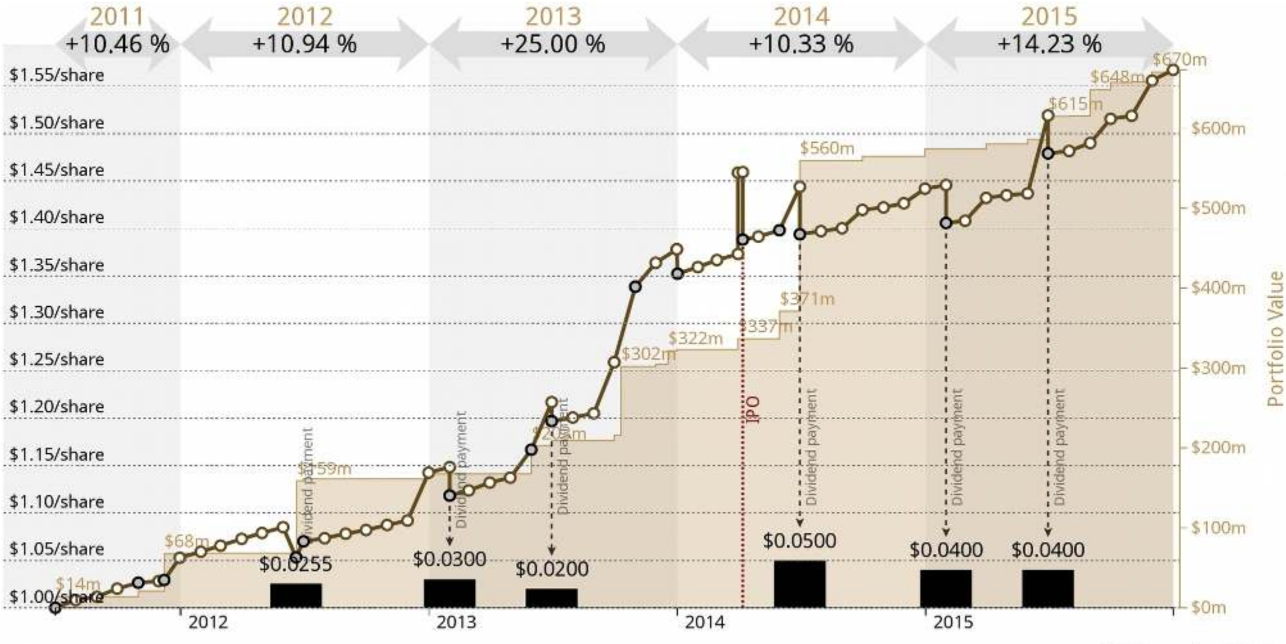
Performance



NAV per share is calculated by the REIT administrator. Growth rates are adjusted for dividends and annualized.

For 2011, 2012 and 2013, the NAV per share was calculated in accordance with the REIT's Articles of Association, not IFRS. From 2014, the NAV has been calculated in accordance with IFRS.

The historical NAV per share data presented in the figure above has been adjusted to reflect the sub-division of Shares by a factor of 100 on 26 January 2014.

Market Price

Source : Bloomberg

Market Price Performance

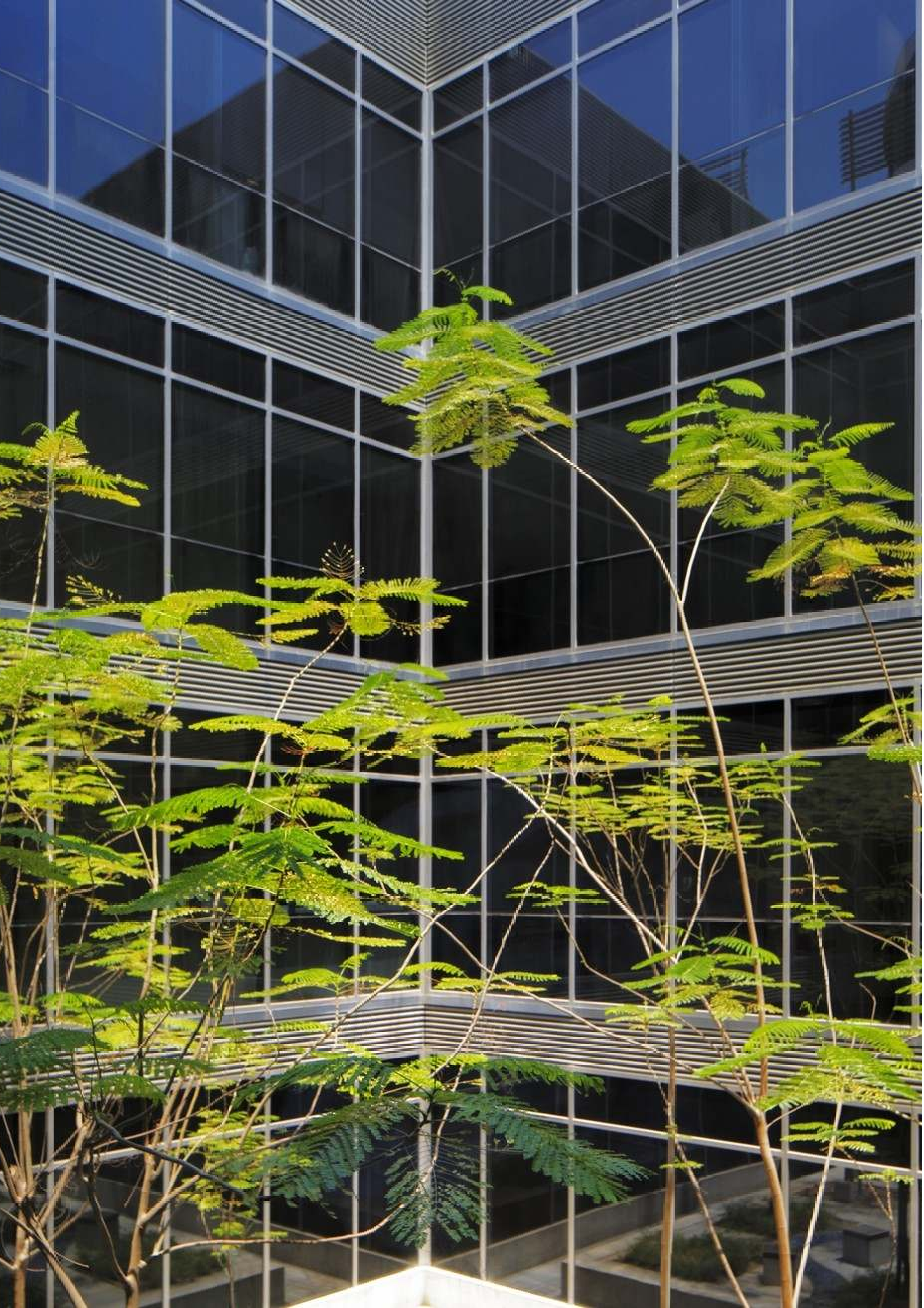
	Highest	Lowest	As at 31 December
2014	USD 1.49	USD 1.20	USD 1.30
2015	USD 1.30	USD 1.09	USD 1.26

Dividend Distribution

	Per Unit	Date	Total Distributed
2015			
Final	TBC	TBC Expected 30 Jun 2016	TBC
Interim	USD 0.04	31/01/16	USD 11,984,821
Total	TBC		TBC
2014			
Final	USD 0.04	30 Jun 2015	USD 11,984,821
Interim	USD 0.04	31 Jan 2015	USD 11,984,821
Total	USD 0.08		USD 23,969,642
2013			
Final	USD 0.05	30 Jun 2014	USD 14,981,027
Total	USD 0.05		USD 14,981,027
2012[2]			
Final	USD 2.00	30 Jun 2013	USD 2,550,364
Interim	USD 3.00	31 Jan 2013	USD 3,788,886
Total	USD 5.00		USD 6,339,250
2011[1-2]			
Final	USD 2.55	19 Jun 2012	USD 1,150,863
Total	USD 2.55		USD 1,150,86

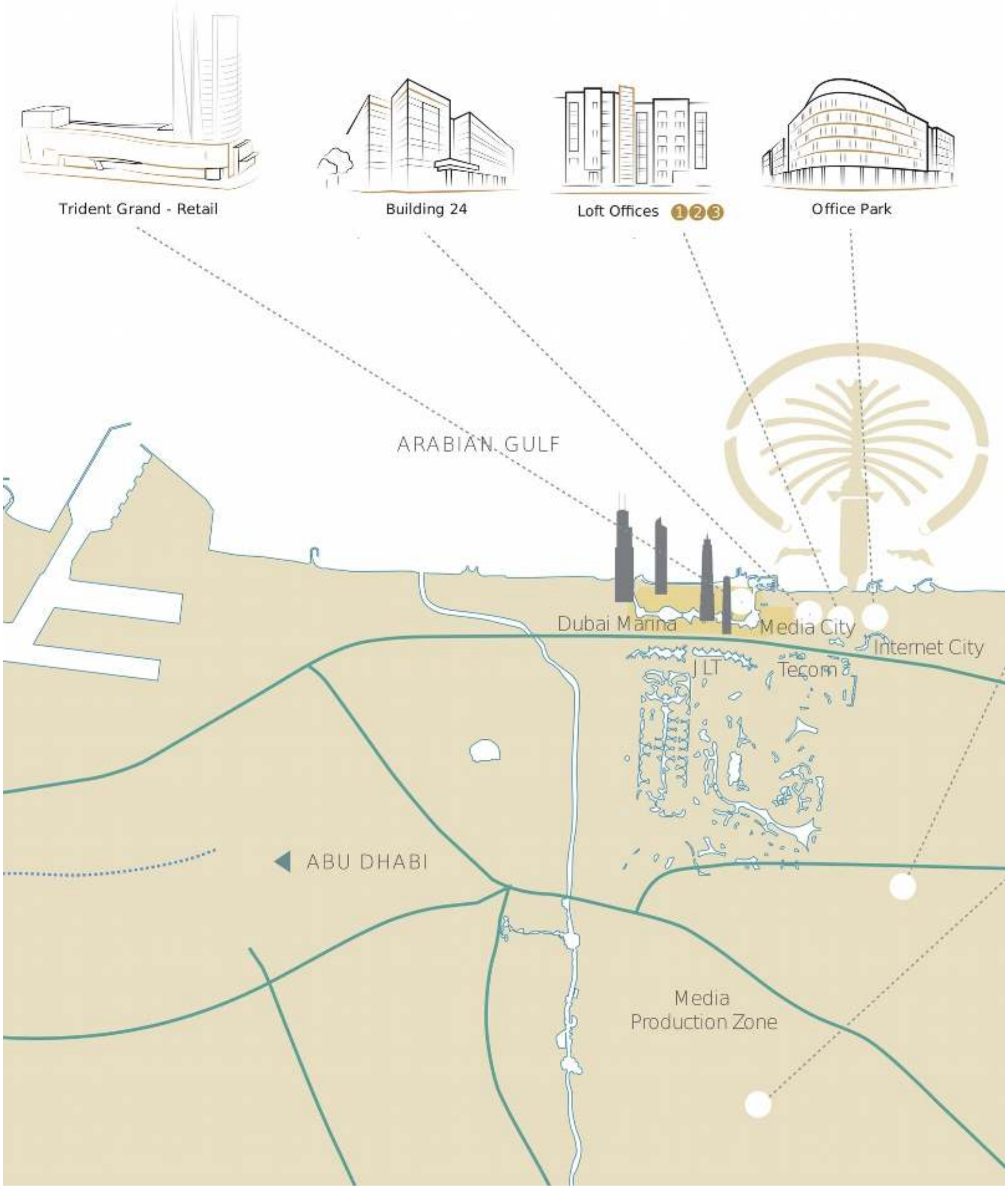
[1] 13 months period

[2] The dividends distributed in 2011 and 2012 are reflecting the share price of USD 100.00, before the sub-division of shares by a factor of 100 on the 26 January 2014.



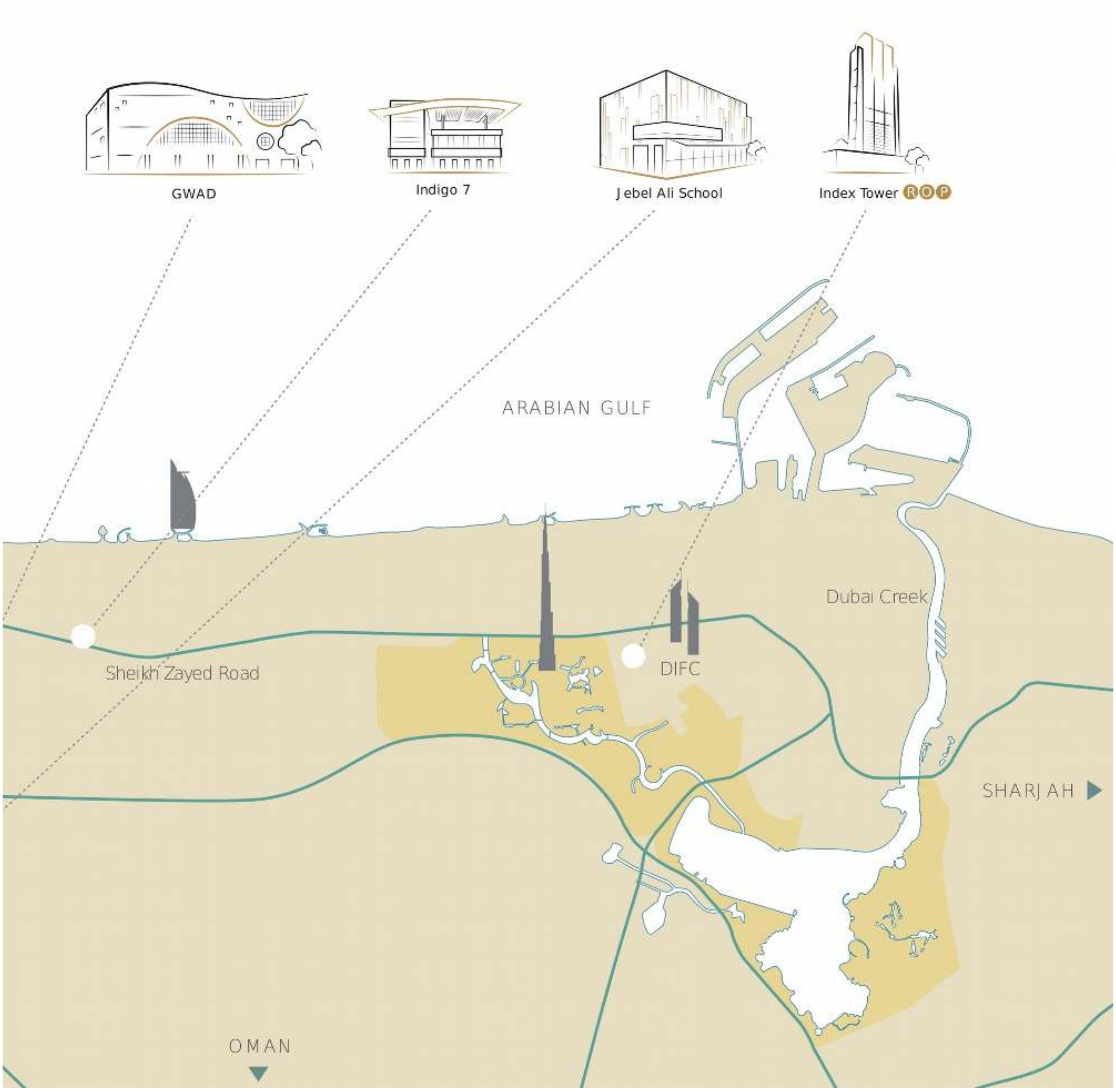
PORTFOLIO IN DETAIL

Portfolio Overview



As at 31 December 2015, the REIT's portfolio consists of the following proprieties:

- Trident Grand Mall;
- Building 24;
- Loft Offices (which includes Loft Offices 1, Loft Offices 2, and Loft Offices 3);
- Office Park
- GEMS World Academy Dubai;
- Indigo 7;
- Jebel Ali School;
- Index Tower (which includes Index Tower - Retail, Index Tower - Offices, Index Tower - Car Park).



Portfolio Value	Net Asset Value	Properties	Occupancy	WALE
USD 673 mn AED 2.5 bn	USD 470 mn AED 1.7 bn	8	77%	* Weighted Average Lease Expiry 8.5

Key Portfolio Statistics

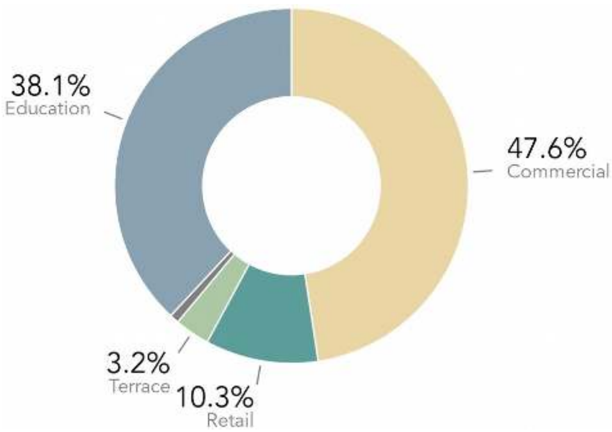
	31 Dec 2015	31 Dec 2014	31 Dec 2013
Number of Properties (consolidated)[(1)]	8	7	6
Portfolio Occupancy	76.7%* / 95.4%**	66.6%* / 94.1%**	86.4%* / 94.0%**
Weighted Average Lease Expiry	8.5	8.4	9.8
Number of tenants	226	204	176
Net Leasable Area (in square feet)	1.796 million sqft	1.645 million sqft	1.155 million sqft
Market Value (AED)***	AED 2.473 billion	AED 2.113 billion	AED 1.187 billion
Passing Income (AED)	AED 156.6 million	AED 131.6 million	AED 108.5 million
Net Leasable Area (in square meter)	166,801 m^2	152,847 m^2	107,300 m^2
Market Value (USD)	USD 673.23 million	USD 575.33 million	USD 323.1 million
Passing Income (USD)	USD 42.6 million	USD 35.8 million	USD 29.5 million

* Including Index Tower / ** Excluding Index Tower

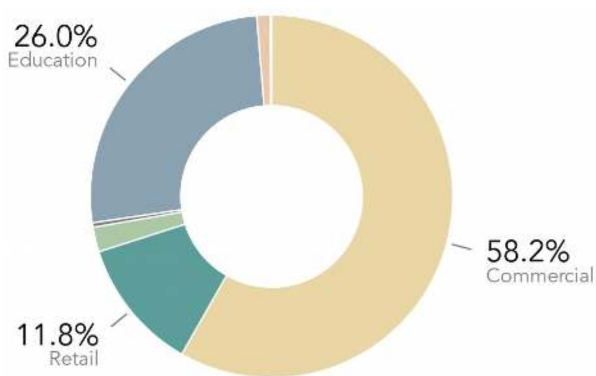
*** Market Value is including Investment Property under re-development and fit-out

Spread per Unit Type

Net Leasable Area per Unit Type



Income per Unit Type



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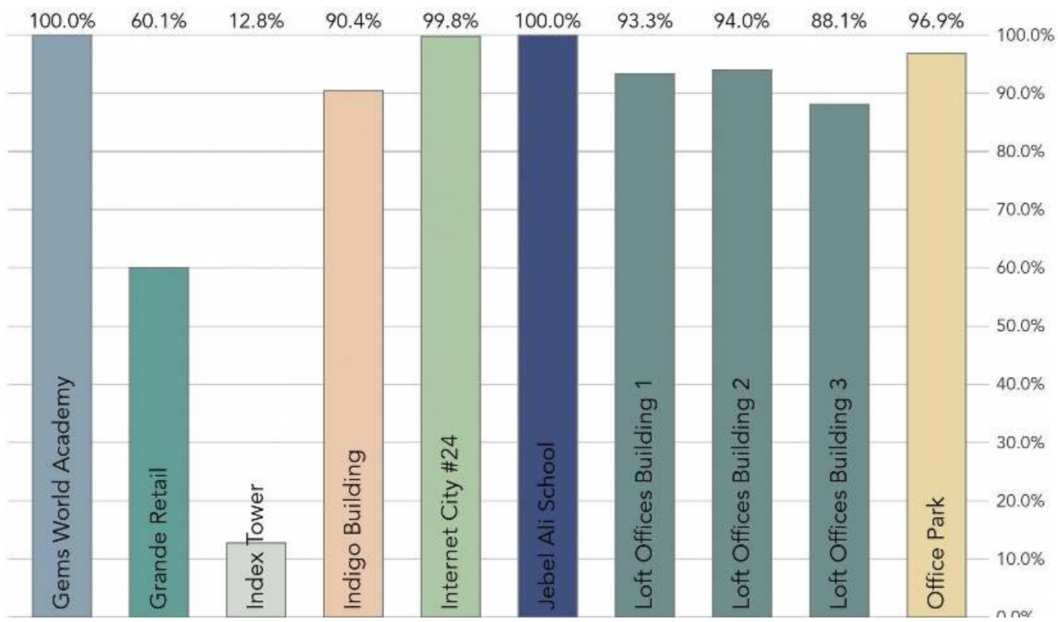
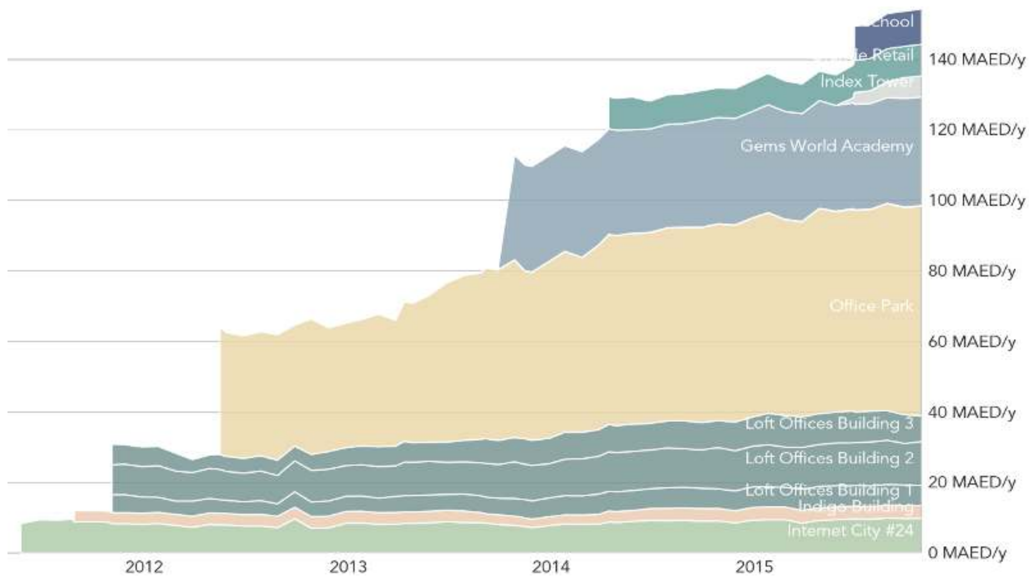
Occupancy per Property



Annualized Rent Contribution



Tenant Structure

The profile of the largest tenants within the portfolio has remained broadly consistent, with the primary change being the addition of two new tenants during 2015 (Tenant 2 and Tenant 9).

Tenant	Building	Sector	Lease Expiry	Percentage of Portfolio Gross Revenue
Tenant 1	GWAD	Education Provider	2043	19.7%
Tenant 2	Jebel Ali School [2]	Education Provider	2042	6.4%
Tenant 3	Office Park	Health Care Information Systems	2018	5.8%
Tenant 4	Office Park	Telecommunications	2017	3.3%
Tenant 5	Office Park	Management Consultancy	2017	3.2%
Tenant 6	Office Park	Beverage Manufacturer and Retailer	2017	2.9%
Tenant 7	Office Park	Chemical and Pharmaceutical	2016 / 2017 / 2019 [1]	2.6%
Tenant 8	Indigo 7	Restaurants	2018	1.5%
Tenant 9	Office Park	Computer hardware and Software	2017	1.4%
Tenant 10	Office Park	Information Provider	2018	1.3%
10 Largest Tenants				**48.1%**
Other Tenants				51.9%

[1] There are three separate lease agreements with staggered expiry dates: 418.61 sqft (38.89 m2), 17,826 sqft (1,656 m2) in 2017 and 10,755 (999 m2) in 2019.

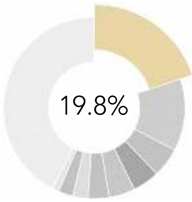
[2] Rate based on actual condition = rent of land only.


628
634
632
629
630

Office Park

Share of Total Portfolio

Valuation



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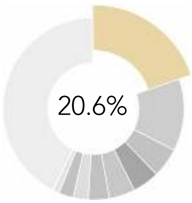
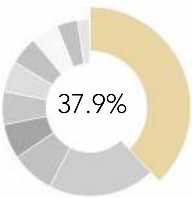


Income



Located within Knowledge Village, a well-established commercial and education district in new Dubai, Office Park is a commercial building catering to office and retail tenants. The property comprises an 'L' shaped plot of land on a site area of approximately 128,412 square feet (11,930 m^2).

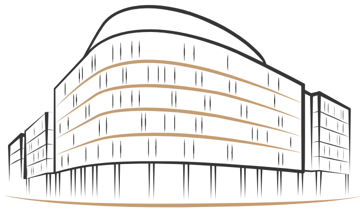
The building was constructed in 2008 and is of reinforced concrete frame extending over two basement levels, ground, mezzanine, and seven upper floors. Office Park was acquired in June 2012, and is on freehold ownership.

Office Park has continued to perform well throughout 2015. The total occupancy rate at 31 December 2015 of 96.9% is the highest in the building's history and demonstrates the ability of the asset to both retain existing tenants and attract new tenants.

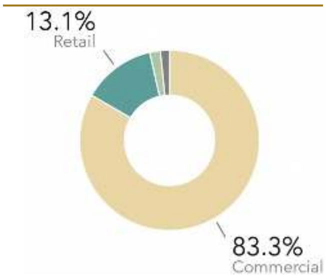
The retail area in particular has matured throughout the year with a number of new operators opening for business, enhancing the vibrancy around the building. The assembled tenant mix, including restaurants, coffee shops, hairdressers, a supermarket, a medical centre and a printing store is now able to cater to needs for not only tenants within Office Park but also the wider local community.

With increasing footfall being drawn to the retail units, we continued to upgrade and refresh facilities.
The landscaping works that started in 2014 were continued in 2015.

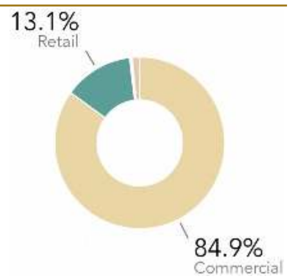
Safety and security continue to be a key priority at Office Park. During 2015, secure parapet railings were constructed on the rooftop of each block to improve the safety for maintenance workers.



Net Leasable Area



Income



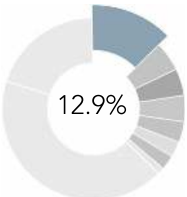
As at 31 December	2015	2014	2013
Market Value	AED 488.33 million	AED 473.6 million	AED 404.7 million
Net Leasable Area	370,801 sqft (34,449 m²)	369,537 sqft (34,331 m²)	359,804 sqft (33,331 m²)
No. of Tenants	53	51	43
Occupancy Rate	96.9%	95.3%	89.8%
Passing Income	AED 59.4 million	AED 55.8 million	AED 47.6 million
WA Lease Expiry	2.0 years	2.8 years	3.1 years

All Information is as at 31 December 2015, unless otherwise specified

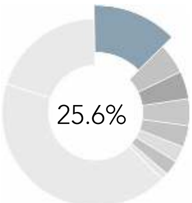
GEMS World Academy Dubai

Share of Total Portfolio

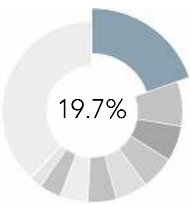
Valuation



NLA

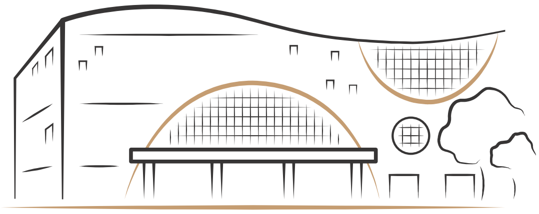


Income



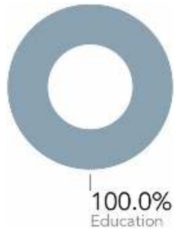
GEMS World Academy Dubai is located within Al Barsha South in Dubai, a developing residential district of new Dubai situated between Jumeirah Village and Dubiotech. The property is a low-rise education complex situated on a plot of land with an approximate area of 459,614 square feet (42,700 m^2). The building was constructed in the past five years and is of reinforced concrete frame construction extending over ground and three upper floor levels. GEMS World Academy Dubai is currently on a long-term lease to Premier Schools (operator of GEMS) a Pre-K to Grade 12 international school. GEMS World Academy Dubai was acquired in October 2013, and is on a long leasehold ownership title.

All Information is as at 31 December 2015, unless otherwise specified

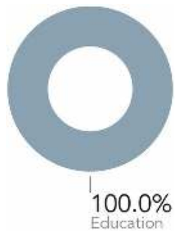


Gems World Academy continues to operate smoothly with the tenant directly managing the operations and various service providers themselves.

Net Leasable Area



Income

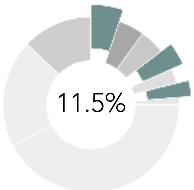


As at 31 December	2015	2014	2013
Market Value	AED 316.7 million	AED 313.7 million	AED 311.2 million
Net Leasable Area	459,614 sqft (42,700 m^2)	459,614 sqft (42,700 m^2)	459,614 sqft (42,700 m^2)
No. of Tenants	1	1	1
Occupancy Rate	100%	100%	100%
Passing Income	AED 30.8 million	AED 30.2 million	AED 29.0 million
WA Lease Expiry	27.8 years	28.8 yea	29.8 years

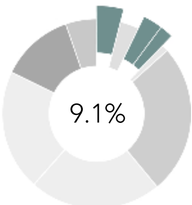
Loft Offices

Share of Total Portfolio

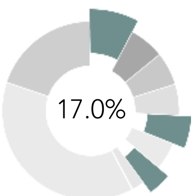
Valuation



NLA

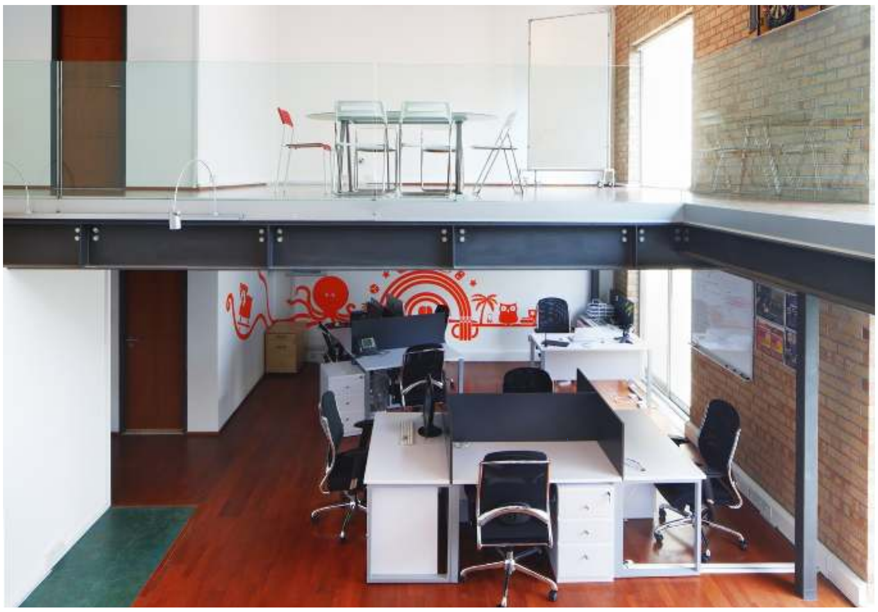


Income



A cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space. The buildings are multi-let with various types of commercial and retail tenants. The buildings are extending over one basement level, ground and five upper floors. The Loft Offices cover a total land plot area of 82,795 square feet (7,692 m2).

The Loft Offices were acquired in December 2011, and are on a freehold ownership title.



All Information is as at 31 December 2015, unless otherwise specified

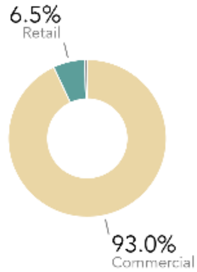
During 2015, the Loft Offices continued to perform strongly, with respect to both rental performance and maintaining high levels of occupancy.

Throughout the year, tenant retention was good, with several existing tenants taking additional space within the buildings. Where units have been vacated, the proactive leasing management allowed an overall increase in passing income.

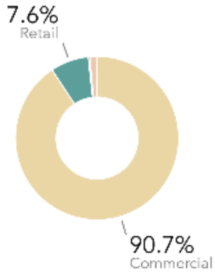
The retail offering at the property has greatly improved over the last year, with Jamaica Blue opening in the fourth quarter 2015, and a further lease signed with a healthy food concept, which is due to open in early 2016.

During 2015, a key focus was improving the mechanical, electrical and plumbing systems within the buildings. By way of example, the five chillers were replaced in the second quarter, which should result in improved energy efficiency and reduced operational expenses.

Net Leasable Area



Income



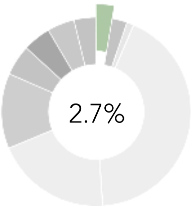
As at 31 December	2015	2014	2013
Market Value	AED 284.3 million	AED 245.7 million	AED 201.1 million
Net Leasable Area	163,637 sqft * (15,202 m²)	163,065 sqft (15,149 m²)	163,065 sqft (15,149 m²)
No. of Tenants	103	110	108
Occupancy Rate	91.9%	97.0%	93.1%
Passing Income	AED 26.7 million	AED 25.2 million	AED 22.4 million
WA Lease Expiry	1.0 years	1.2 years	1.3 years

* The Net Leasable Area has increase due to additional storage space created

Building 24

Share of Total Portfolio

Valuation



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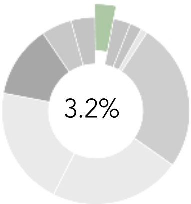
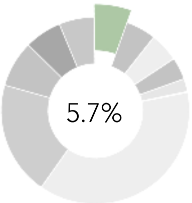


Income



A Low-rise building located in a prime area of Dubai Internet City, a well-established commercial district of new Dubai, Building 24 property covers a land area of 41,036 square feet (3,812 m2) and was constructed in 2005. The building is of reinforced concrete frame and extends over basement, ground and three upper floor levels featuring retail and office space.

This building was acquired in June 2011 and is on a freehold ownership title.

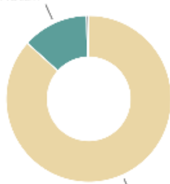
All Information is as at 31 December 2015, unless otherwise specified

2015 was a year of consistency at Building 24. In accordance with the property management and leasing agreement in place, Tecom manages the building and sets the rental and service charge rates, which have remained broadly unchanged throughout the year. Occupancy levels have also remained relatively consistent.

During the year, important enhancements in both cosmetic and functional aspects of the building were made, such as the refurbishment of the ground floor bathrooms, creation of an ablution area to accommodate the prayer room, the resurfacing of the car park entrance and installation of devices to better regulate the energy consumption within the building.

Net Leasable Area

Income

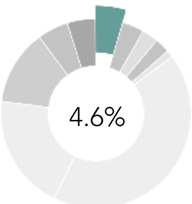


As at 31 December	2015	2014	2013
Market Value	AED 67.9 million	AED 68.8 million	AED 56.7 million
Net Leasable Area	57,335 sqft (5,327 m^2)	57,335 sqft (5,327 m^2)	57,335 sqft (5,327 m^2)
No. of Tenants	27	25	23
Occupancy Rate	99.8%	96.1%	89.5%
Passing Income	AED 8.9 million	AED 8.5 million	AED 7.2 million
WA Lease Expiry	1.4 years	1.6 years	1.8 years

Trident Grand Mall

Share of Total Portfolio

Valuation



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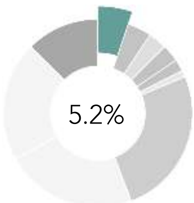
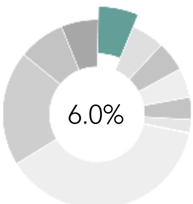
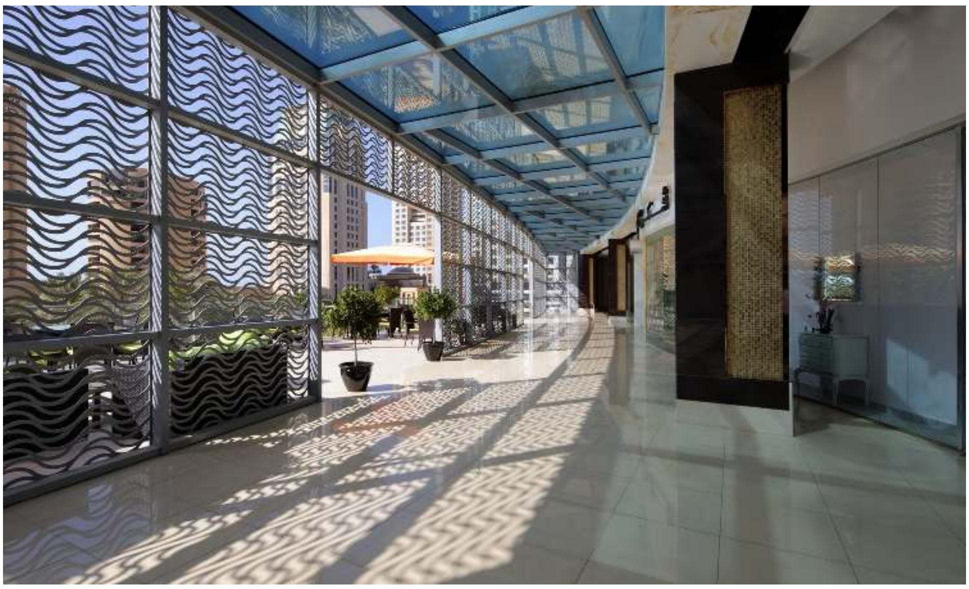
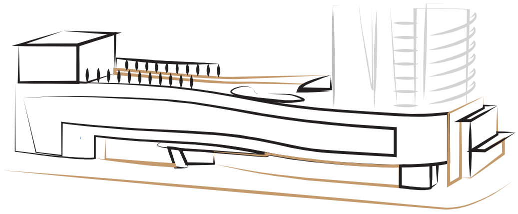


Income



Trident Mall (previously Le Grande Community Mall) is the retail component of Trident Grand Residence in Dubai Marina, a mixed-use residential and retail building in an established residential and commercial district of new Dubai. The property itself comprises of the ground and first floor level retail accommodation of the Trident Grand Residence Tower, which extends to a total of 22 individual retail units with additional customer seating areas and basement car parking (161 spaces). This asset was acquired in May 2014 and is on a freehold ownership title.





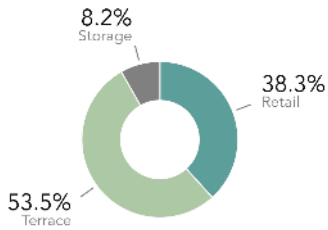
Le Grande Community Mall has been undergoing an active asset management programme since its acquisition by the REIT and encouraging progress has been made during 2015.

One of the highlights of the year has been the improved tenant mix and profile of the building. Lease surrenders were agreed with two non-performing tenants, and the units were successfully leased to higher profile tenants, and at higher levels of rent. Furthermore, the supermarket, Choithrams and Sons, were secured as an anchor tenant for the building and their planned opening in the first half of 2016 is expected to substantially increase footfall to the mall.

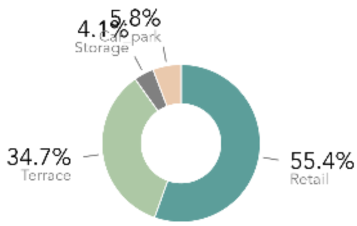
Operational efficiency of the asset has further improved over the course of 2015 with a change in both the facilities management and security providers during the second half of the year.

The volumetric sub-division process for the building is currently with the Dubai Land Department for final approval, the successful outcome of which will allow for more efficient operational control going forward.

Net Leasable Area



Income

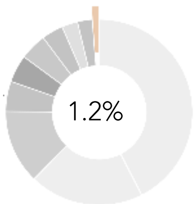


As at 31 December	2015	2014	2013
Market Value	AED 114.3 million	AED 115.9 million	N/A
Net Leasable Area	94,139 sqft* (8,746 m²)	94,139 sqft* (8,746 m²)	N/A
No. of Tenants	15	14	N/A
Occupancy Rate	60.1%	55.2%	N/A
Passing Income	AED 9.4 million	AED 8.5 million	N/A
WA Lease Expiry	2.7 years	3.5 years	N/A

Indigo 7

Share of Total Portfolio

Valuation



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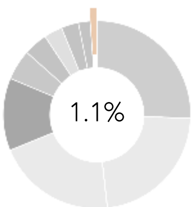
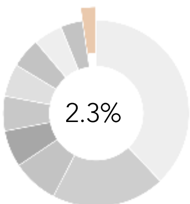


Income



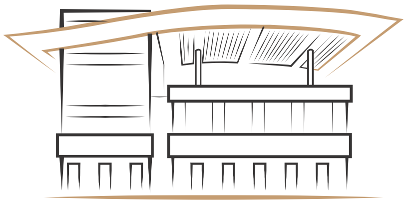
Indigo 7 is located along the northern side of Sheikh Zayed Road within the Al Manara district of Dubai, a primarily residential district. The building is a low-rise development constructed in 2009 featuring retail and office components. The building is situated on a land plot that comprises approximately 15,000 square feet (1394 m^2).

Indigo 7 is currently anchored by one tenant operating two restaurants, Reem Al Bawadi and Crumbs. The building was acquired in September 2011, and its ownership title is a contractual interest similar to tenancy rights.

All Information is as at 31 December 2015, unless otherwise specified

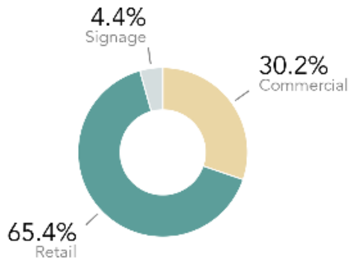
Indigo 7's operational performance remained broadly consistent in 2015 compared with the previous year, with occupancy maintained at 90.4% and a marginal improvement in passing income.

During the year, an active maintenance and improvement program was executed to improve the quality of the building and, in particular, further upgrading health and safety standards. This improvement program is expected to continue in 2016.



Net Leasable Area

Income

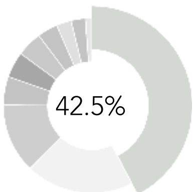


As at 31 December	2015	2014	2013
Market Value	AED 29.0 million	AED 29.5 million	AED 23.9 million
Net Leasable Area	20,477 sqft (1,902 m²)	20,477 sqft (1,902 m²)	20,477 sqft (1,902 m²)
No. of Tenants	5	5	2
Occupancy Rate	90.4%	90.4%	55.0%
Passing Income	AED 3.5 million	AED 3.4 million	AED 2.3 million
WA Lease Expiry	2.4 years	3.3 years	4.1 years

Index Tower

Share of Total Portfolio

Valuation



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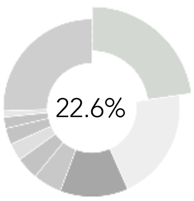
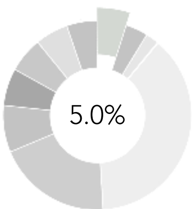


Income



Index Tower is a mixed-use property located in the DIFC, a well-established commercial and retail district in Dubai. Index Tower was completed in 2010 and covers a land area of approximately 215,319 square feet (20,004 m^2). The REIT owns 17 out of the 25 office floors, car parking spaces and the whole retail component of Index Tower.

Interests in the building were acquired in May 2013, December 2013, June 2014 and December 2014, and are owned on a Freehold Ownership Title.

The key highlights for 2015 were the delivery and leasing of the first fitted-out floors along with the leasing of 2 shell-and-core floors.

Due to high demand for the fitted out offices, a further three floors were commissioned, of which one level was completed in the fourth quarter of 2015, to be available for leasing in early 2016.

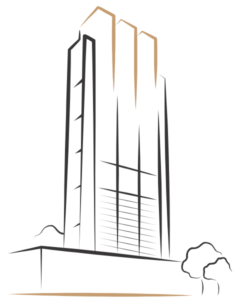
Together with the leasing of subdivided floor units, the combined occupancy increased to 16.0% for the Index Tower office component in 2015.

Interim retail initiatives have been implemented including an ATM and an on-site laundry service which are both operational as well as a branded coffee shop cafe kiosk on the ground floor, which is under fit-out.

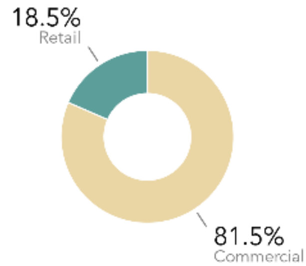
Following completion of the pre-contract design for the retail component, the Architects Foster & Partners have been replaced by Broadway Malyan, who have a specialist retail team. The concept design is due to be submitted for DIFC approval in the first quarter of 2016.

The consultant team for the retail redevelopment are also driving formal RTA approvals to improve the traffic circulation and approaches to Index Tower which is being supported by DIFC.

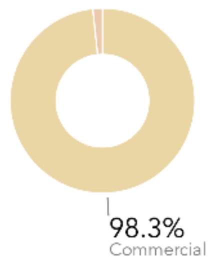
The management of the building has been changed with the appointment of Novus Community Management to manage the Index Tower Principal Body Corporate and supported by Asteco managing the Office and Retail components.



Net Leasable Area



Income



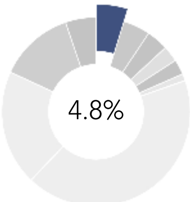
As at 31 December	2015	2014	2013
Market Value	AED 1,047.7 million	AED 861.2 million	AED 183.3 million
Net Leasable Area	406,076 sqft* (37,726 m^2)*	481,069 sqft (44,693 m^2)	94,402 sqft (8,770 m^2)
No. of Tenants	22	N/A	N/A
Occupancy Rate	12.8%	0%	0%
Passing Income	AED 7.9 million	N/A	N/A
WA Lease Expiry	1.6 years	N/A	N/A

* The Net Leasable Area has decreased due to the completion of fitted-out and furnished office floors, where common areas are excluded from the total area of the floor.

Jebel Ali School

Share of
Total Portfolio

Valuation



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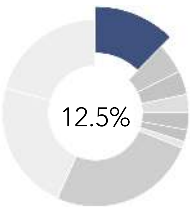
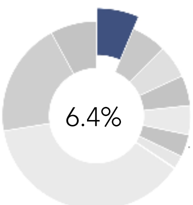


Income



On 2 August 2015 the REIT acquired a 33,301 square meter freehold plot of land from Damac Cresent Properties LLC in the Akoya development, Dubailand at a cost (including transaction costs) of USD 26,806,862. Simultaneously with the acquisition, the REIT entered into various agreements for the construction of a school and agreed a long term lease arrangements with Jebel Ali Primary School as a school operator. The land has been leased from day 1, and on 2 August 2015, the REIT received the payment of the first year of rent of the Land for AED 10 million (USD 2.7 million) The construction of the school is estimated to take approximately fourteen months for a total estimated cost of USD 29.9 million.

All Information is as at 31 December 2015, unless otherwise specified

Broadway Malyan and Al Jaber L.E.G.T. Engineering have been appointed as architects and contractors respectively, with the detailed design now completed. The official ground breaking took place on 15 September 2015 and excavation works were completed in November. Towards the end of 2015 the sub-structure permit was granted.

The construction commenced in December and is expected to be completed at the beginning of 2016. The overall construction of the school is estimated to be completed during the second half of 2016.

Net Leasable Area

Income

As at 31 December	2015	2014	2013
Market Value	AED 117.5 million	N/A	N/A
Net Leasable Area	223,913 sqft* (20,802 m^2)*	N/A	N/A
No. of Tenants	1	N/A	N/A
Occupancy Rate	100.0%	N/A	N/A
Passing Income	AED 10.0 million	N/A	N/A
WA Lease Expiry	26.6 years	N/A	N/A

REPORT OF THE REIT MANAGER

Regulatory Report of the REIT Manager

for the year ending 31 December 2015

Emirates REIT Management (Private) Limited (the "REIT Manager") is pleased to report the operations for Emirates REIT (CEIC) Limited (the "REIT").

Investment Objectives of the REIT

The investment objective of the REIT is to develop a diversified portfolio of Shari'a compliant real estate properties and related assets through the acquisition of property assets.

The principal objective of the REIT is to provide shareholders with:

(a) a stable source of income

(b) increasing shareholder's value

Policy for Achieving Objectives

The REIT has implemented a range of policies for achieving its investment objectives. The REIT employs a disciplined acquisition strategy.

The REIT pursues Shari'a compliant acquisitions with the aim of improving the overall returns and income stability of the REIT. In accordance with the REIT's Articles of Association and the current CIR, the requirements placed on the REIT with regards to investments include:

Type of Investment

The type of investments which can be undertaken by the REIT, which 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.

Potential Investments

After the REIT has assessed and approved a potential investment opportunity, it must prior to actual purchase, first be reviewed by the Investment Board (and the Oversight Board for related party transactions), and then reviewed by the Shari'a Supervisory Board to make sure that the investment is in accordance with Shari'a laws.

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

Disciplined acquisition strategy underpinned by an attractive real estate market in the UAE

The REIT Manager will continue to pursue acquisitions with the aim of improving the overall returns and income stability of the REIT.

The REIT's acquisition strategy is underpinned by the following key considerations:

- invest in Shari'a compliant property assets;
- focus on quality properties with attractive yields.

Active Asset Management Strategy

The REIT Manager actively manages the REIT's Portfolio (the "Properties") in order to increase income and market valuations with the aim of further improving property yields and delivering strong returns to the Shareholders. The REIT Manager works closely with its property managers with the aim of ensuring the optimisation of its Portfolio in terms of occupancies and achievable rental income. The REIT Manager applies the following key operating and management principles:

- maintaining the quality of the Portfolio by regularly monitoring the performance of the Properties; optimising the Net Leasable Area of the Properties through reconfigurations;
- establishing close relationships with tenants to increase tenant satisfaction and retention;
- increasing rental rates and property yields through a considered approach to contract terms;
- enhancing the operating efficiency of the Portfolio; and raising the profile of the Portfolio.

Prudent Capital and Risk Management Strategy

To maintain a strong financial position, the REIT Manager 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 key pillars for the Capital and Risk Management Strategy that the REIT Manager applies 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 in an attempt to provide additional capital and improve Shareholder returns over the long-term where such Shari'a debt financing is appropriate. However, the REIT Manager is obliged to ensure that the REIT's gearing will not exceed the current limit, which is 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.

Risk Profile

The REIT is a close-ended shari'a compliant investment company incorporated in the DIFC, registered by the DFSA as a Public Fund with reference number C000012. As at 31 December 2015, the number of issued ordinary shares is 299'620'451.

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

The REIT Manager is appointed to manage the REIT and its assets in accordance with the terms set out in the applicable laws and regulations, the REIT's Articles of Association and the principles of Shari'a.

The REIT Manager is authorised by the DFSA to conduct the following licensed activities:

- Advising on Financial Products or Credit
- Managing a Collective Investment Fund

Accordingly, the REIT Manager is a Category 3C Firm for prudential reporting purposes.

The REIT Manager also holds 2 endorsements to its DFSA license

- as an Islamic Financial Institution, and
- as an entity permitted to deal with Retail Clients (this endorsement became effective on the listing of Emirates REIT, on 8 April 2014).

In February 2013, the REIT was granted a Ruler's decree which allowed the REIT to invest through its onshore Dubai Branch in properties onshore Dubai. The decree requires that the REIT must comply with Law 7 of 2006 whereby 51% ownership of the REIT must be retained by GCC nationals. The REIT's Articles of Association state that for the shares to be transferable, at least 51% of the REIT's share capital must be owned at all times by GCC nationals, or entities. At 31 December 2015, the GCC vs. Foreign percentage ownership was 60.17% vs. 39.83% respectively. On the 31 December 2014, it was 57.57% vs. 42.43%.

The REIT’s continued performance will be subject to, among other things, the conditions of the property market in Dubai, which will affect both the value of any properties that the REIT acquires and the rental income those properties produce. Any deterioration in the Dubai property market, for whatever reason, could result in declines in market rents received by the REIT, in the occupancy rates for the REIT’s properties and in the market values of the REIT’s real estate assets (and the value at which it could dispose off such assets). A decline in the market value of the REIT’s real estate assets 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.

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.

Investment Activities Review

On 2 August 2015 the REIT acquired a 33,301 m2 freehold plot of land from Damac Cresent Properties LLC in the Akoya development, Dubailand. Simultaneously, the REIT entered into various agreements for the lease of the plot, construction of a school on the plot and leaseback of the school buildings once completed to Jebel Ali School as a school operator. The land rent payable on the plot whilst the school is under construction is AED 10 million per annum, with the first year's rent being received in full on the day of acquisition. The construction of the school is estimated to be completed during the second half of 2016, for a total estimated cost of approximately USD 29.9 million.

Jebel Ali School - Rendering

Corporate Governance Framework

The REIT's corporate governance framework includes the following committees and boards in addition to the Management Board:

(i) an Oversight Board;

(ii) an Investment Board;

(iii) a Shari'a Supervisory Board; and

(iv) an Advisory Board.

Management Board

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

In January 2015, the Management Board of the REIT comprised of Mr. Abdulla Al Hamli (Independent Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman), Ms. Magali Mouquet (Executive Director) and Mr. Mark Inch (Non Executive Director).

On 1 March 2015, Mr. Mark Inch retired from the Board.

The Board is now comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman) and Ms. Magali Mouquet (Executive Director).

Oversight Board

The Oversight Board is the committee appointed to oversee and supervise the activities of the REIT. All Members of the Oversight Board are independent of the REIT.

The Oversight Board ensure that the REIT has adequate systems and controls in place, remain in compliance with any requirements of the relevant rules and regulations and report their findings to both the REIT and where necessary to the DFSA.

The Oversight Board of the REIT is comprised of Mr. Nasser Rafi, Mr. Abdul Wahab Al-Halabi and Mr. Suresh Kumar,. The Oversight Board was re-appointed on 1 February 2015 for a year.

As post event of this report, all members of the Oversight Board have been reappointed until 31 January 2017.

Investment Board

The Investment Board consists of independent qualified experts, who have authority (by profession, expertise or reputation) and are authorised to review and confirm that they have no objection to prospective investment opportunities proposed by the REIT Manager.
The Investment Board is not involved in the day to day management of the REIT.

On 26 January 2015, shareholders approved the reappointment of Mr. Marwan Bin Ghulaita, Mr. Abdulla Al Hashemi and Mr. David Savy to the Investment Board for a period of 12 months until 31 January 2016.

As post event of this report, all members of the Investment Board have been reappointed until 31 January 2017.

Shari'a Supervisory Board

The Shari'a Supervisory Board ensure compliance by the REIT with Shari'a principles and where possible, advise, guide and provide 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 practice.

On 26 January 2015, shareholders of the REIT approved the appointment of Dr. Muhiuddin Ghazi, as a replacement for Mr. Moosa Tariq Khoory.

The Shari'a Supervisory Board is therefore constituted of Dr Mohamed Abdul Hakim Zoeir, Mr. Mian Muhammad Nazir and Dr. Muhiuddin Ghazi for a period of 12 months until 31 January 2016.

As post event of this report, Dr Mohamed Abdul Hakim Zoeir and Mr. Mian Muhammad Nazir have been reappointed until 31 January 2017.
On 17 January 2016, shareholders of the REIT approved the appointment of Mr Fazal Rahim as as replacement of Dr Muhiuddin Ghazi, for a period of 12 months until 31 January 2017.

Advisory Board

The Advisory Board provide 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 can also provide specific ad hoc advice in relation to various projects as needed.
The Advisory Board is not involved in the day to day duties of the REIT.

In February 2015, Mr. Khalid Al Malik (Dubai Properties Group LLC), Mr. Michael Wunderbaldinger (TECOM Investments FZ LLC), Mr. Kunal Bansal (Vintage Bullion DMCC) and Mr. Faisal Mikou (Arabica Investments), were reappointed to the Advisory Board for a further term of 12 months, until 31 January 2016.

Mr. Faisal Mikou resigned from the Advisory Board on 1 June 2015.

As post event of this report, all the members of the Advisory Board have been reappointed until 31 January 2017.

Matters Approved by Shareholders

Dividends

A total dividend of USD 0.08 per share (USD 23.76 million), relating to the year ended 31 December 2014 was paid in 2015 (an interim dividend of 0.04 USD per share was paid on 31 January 2015 and a further final dividend of 0.04 USD per share was paid on 30 June 2015).

An Interim Dividend relating to the year ended 31 December 2015 was paid in January 2016 totalling USD 11.98 million (USD 0.04 per share), following approval at the General Meeting of the Shareholders held on 17 January 2016.

A Final Dividend relating to the year ended 31 December 2015 is expected to be paid in June 2016, for an amount to be communicated, and following approval at the AGM of the Shareholders.

Investment Board

On 17 January 2016, the shareholders approved the reappointment of the existing members of the Investment Board, being Mr Marwan bin Ghulaita, Mr Abdulla Al Hashemi, and Mr. David Savy, until 31 January 2017.

Shari'a Board

On 17 January 2016, the shareholders approved the reappointment of Dr Mohamed Abdul Hakim Zoeir and Mr. Mian Muhammad Nazir until 31 January 2017.

Mr Fazal Rahim as as replacement of Dr Muhiuddin Ghazi, for a period of 12 months until 31 January 2017.

Auditors

On 22 June 2015, the shareholders approved the reappointment of PricewaterhouseCoopers Limited as auditors of the REIT.

Reports and Accounts

On 22 June 2015, the shareholders approved the annual report and the accounts of the REIT for the year ended 31 December 2014 together with the director's report and the auditor's report on those accounts.

Recurrent Annual Resolutions

At the AGM in June 2015, the Shareholders provided the required annual approval, authorizing the REIT and the REIT Manager on behalf of the REIT, to enter into transactions with Affected Persons, in accordance with the modified version of CIR 8.3.2, CIR 13.4.16 and CIR 13.4.17 set out in the Modification Notice granted by the DFSA on 6 March 2014.

Details of the modification notices can be found in as follows:

The Modification Notice allows the REIT to undertake Affected Person transactions without unit-holders prior approval subject to the following process:

1. If the consideration of the transaction is 5% or more of the most recent NAV, the Investment Board must provide a no objection and the Oversight Board must provide approval confirming that the transaction is conducted on such terms that are at least as favourable to the Fund as if transacted with an independent third party.

2. If the consideration of the transaction is more than 0.25% but less than 5% of the most recent NAV, the DFSA is provided with a written notice, as soon as possible after the relevant transaction, setting out the relevant terms of the transaction and why those terms are considered fair and reasonable by the investment committee or oversight provider of the Fund.

3. A brief summary is included in the following published interim or annual report.

4. The annual report should include the total value, nature and counter-parties of the transaction.

CIR 8.3.2

The Modification Notice allows the REIT to undertake Affected Person transactions without unit-holders prior approval subject to the following process:

1. If the consideration of the transaction is 5% or more of the most recent NAV, the Investment Board must provide a no objection and the Oversight Board must provide approval confirming that the transaction is conducted on such terms that are at least as favourable to the Fund as if transacted with an independent third party.

2. If the consideration of the transaction is more than 0.25% but less than 5% of the most recent NAV, the DFSA is provided with a written notice, as soon as possible after the relevant transaction, setting out the relevant terms of the transaction and why those terms are considered fair and reasonable by the investment committee or oversight provider of the Fund.

3. A brief summary is included in the following published interim or annual report.

4. The annual report should include the total value, nature and counter-parties of the transaction.

CIR 13.4.17

The Modification Notice allows the REIT to engage Affected Persons as property agents including advisory or agency services in property transactions subject to the following conditions;

1. If the consideration of the transaction is 5% or more of the most recent NAV, the Investment Board must provide a no objection and the Oversight Board must provide approval confirming that the transaction is conducted on such terms that are at least as favourable to the Fund as if transacted with an independent third party.

2. If the consideration of the transaction is more than 0.25% but less than 5% of the most recent NAV, the DFSA is provided with a written notice, as soon as possible after the relevant transaction, setting out the relevant terms of the transaction and why those terms are considered fair and reasonable by the investment committee or oversight provider of the Fund.

As post event of this report, on 1 February 2016, the DFSA issued revised Collective Investment Rules which now amends CIR 8.3.2, CIR 13.4.16, and CIR 13.4.17 such that the conditions required to undertake Related Party Transactions have now been revised. As a result of the Rule amendments, the Modification Notices granted by the DFSA no longer apply.

Matters to be brought to the Shareholders' Attention

Change in Ownership of the REIT Manager

On 1 March 2015, Eiffel Management acquired Dubai Islamic Bank's (DIB) 25% stake in the REIT Manager. Following the transaction, Eiffel Management Limited owns 100% of the REIT Manager's total issued share capital.

Expiry of locked-up period

At the time of admission on NASDAQ Dubai, Emirates REIT and the founding shareholders agreed to a lock-in of a maximum of one year. The one year lock-in period has ended, on 8 April 2015. These locked-up shares represented 42.15% of total outstanding shares. The earlier locked-up shares were released on 8 October 2014.

Retirement of a board member

On 1 March 2015, Mr. Mark Inch retired from the Board. The Board is now comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman) and Ms. Magali Mouquet (Executive Director).

Modifications for borrowing limits

On 3 May 2015, the DFSA granted a Modification of DFSA Rule CIR 13.5.5 and IFR 6.11.5 such that the REIT Manager could now borrow (in respect of the REIT) up to 50% of the total gross asset value of the Fund instead of the 70% of the net asset value.

As post event of this report, on 1 February 2016, the DFSA issued revised Collective Investment Rules which now amends the limit to 50% of the gross asset value. Therefore the waiver no longer applies.

Custody Arrangement

On 3 May 2015, the DFSA granted a waiver for DFSA Rule CIR 8.2.2 (2), removing the requirement for the REIT Manager to appoint an Eligible Custodian for the safekeeping of Real Property title deeds. This waiver requires the REIT Manager to have the systems and controls in place to ensure the safe custody of these documents, including a dedicated safe and review by the Oversight Board of the adequacy of the systems and controls. The granting of this waiver removes significant future costs of having the custody arrangements in place for the REIT.

As post event of this report, on 1 February 2016, the DFSA issued revised Collective Investment Rules which now amends CIR 8.2.2 such that Alternative Custody arrangements for Real Property in certain jurisdictions is permitted subject to the compliance with certain conditions detailed in the Rules. As a result of this rule revision, the granted waiver for CIR 8.2.2 no longer applies.

Related Party Transactions [1]

The on-going Related Party Transactions during the year ended 31 December 2015, based on existing approved contracts or lease agreements are listed below:

Income

Dubai Properties Group LLC - *rental income*	USD 440,289
Dubai Islamic Bank (PJSC) - *rental and service income*	USD 222,940

Expenses

Emirates REIT Management (Private) Limited - *Management & performance fee*	USD 11,885,787
Dar Al Sharia Legal & Financial Consultancy LLC - *Professional fees*	USD 104,964
Oversight Members - *Engagement fee*	USD 60,095
SHUAA - *Custodian fees*	USD 19,755

[1] Affected person transactions were changed to be called Related Party Transactions under the new Rules issued by the DFSA on 1 February 2016

GOVERNANCE

Annual Report of the Investment Board

for the period ended 31 December 2015

Subject of this Certificate

This Annual Report from the Investment Board of Emirates REIT (CEIC) Limited (the "REIT") is made pursuant to Article 100.2 of the Articles of Association of the REIT (the "Articles") and the DFSA Collective Investment Rules (the "CIR Rules").

Under the Articles, it is the sole role of the Investment Board to review investment opportunities. All acquisitions or disposals are reviewed by the Investment Board who must confirm to the REIT Manager that they have no objection to the proposed transaction, prior to the transaction taking place.

Members of the Investment Board during 2015

Every 12 months at a meeting of the shareholders of the REIT, at least three experts proposed by the REIT Manager are appointed by the shareholders to sit on the Investment Board.

On 26 January 2015, the shareholders of the REIT re-appointed Mr. Abdullah Al Hashemi, Mr. Marwan bin Ghulaita, and Mr. David Savy to the Investment Board for a period of 12 months until 31 January 2016.

Investment Activities during 2015

During 2015, the Investment Board reviewed and evaluated, among other opportunities, the acquisition of the Jebel Ali School project (the "Project"), which consisted of the acquisition of a freehold plot of land, the construction of the school buildings, and leaseback of the completed school buildings to Jebel Ali School, as the school operator. The Investment Board unanimously confirmed that they had no objection to the acquisition of the Project.

The Freehold Land Plot was acquired on 2 August 2015 for USD 26.8m (AED 98.44m) (including acquisition costs), which was below the independently determined valuation price. The Plot was subsequently leased to the operator who then started the construction of the buildings. Upon completion and delivery of the school, the land lease will be terminated. Jebel Ali School will then immediately enter into a property lease of the school and land plot combined for a period of 25 years.

The Project is in accordance with DFSA CIR Rule 13.5.4. The contract value of the Project at 31 December 2015 as a percentage of the Net Asset Value of the REIT was 5.2%, significantly below the 30% limit of assets under development, as specified in CIR Rule 13.5.4. The REIT also intends to hold the developed property upon completion.

There were no disposals of assets which the Investment Board were required to consider during the period covered by this Annual Report.

There were no material issues raised by the Investment Board during the period covered by this Annual Report.

Annual Report of the Oversight Board

for the period ended 31 December 2015

Introduction

This report from the Oversight Committee of Emirates REIT Management (Private) Limited (the "REIT Manager") is made pursuant to Rule 10.3.13 of the Collective Investment Rules ("CIR") of the Dubai Financial Services Authority ("the DFSA").

The Oversight Committee may be referred to as the Oversight Board.

Members of the Oversight Committee during 2015

- Mr Suresh Kumar
- Mr Abdul Wahab al Halabi
- Mr Nasser Rafi

This report from the Oversight Committee of Emirates REIT Management (Private) Limited (the "REIT Manager") is made pursuant to Rule 10.3.13 of the Collective Investment Rules ("CIR") of the Dubai Financial Services Authority ("the DFSA").

The Oversight Committee may be referred to as the Oversight Board.

Matters of the Board

The Board met four (4) times in the year 2015 and these meetings were held in the Dubai International Financial Center (DIFC). Aside to meeting, the Oversight Board also resolved matters by way of written resolutions in 2015.

Duties of the Board

The Oversight Boards responsibilities include monitoring the REIT Manager to ensure that the REIT is being managed in accordance with the REITs articles of association, including in particular, any investment and borrowing limitations, requirements relating to the valuation of REIT Property and any other requirements or restrictions imposed on the REIT under the Collective Investment Law or the DFSA CIR.

The Oversight Board must assess and report accordingly to the REIT Manager whether the REIT Managers systems and controls, particulary those relating to risk management and compliance, operate as intended and remain adequate and report to the REIT Manager on any findings, including any actual or potential breaches or inadequacies.

REIT Listing

At the time of admission on NASDAQ Dubai, the REIT and the founding shareholders agreed to a lock-in of a maximum of one year. In April 2015, the second and final tranche of Lock-in agreements expired. These locked-up shares represent 42.15% of total outstanding shares. The earlier locked-up shares were released on 8 October 2014.

During 2015 there was no issue , sale , redemption or cancellation of shares.

Dividend

During 2015, the REIT distributed both an interim and final dividend for the year 2014, each of USD per 11.98 million equating to a dividend per ordinary share of USD 0.04, on 31 January and 30 June 2015 respectively (total USD 0.08).

The Oversight Board is satisfied that distribution of each of these dividends were in accordance with CIR 13.5.2 (2).

Investments

The Board is satisfied that the investment made during 2015 was in accordance with the requirements of the CIR and the required processes have been adhered to.

The Board noted that the total gross portfolio value as at 31 December 2015 was USD 741 million and the cash and cash equivalents held by the REIT as at 31 December 2015 was 13.6% of the total NAV, amounting to USD 63.74 million.

Affected Person Transactions

The DFSA issued a Modification Notice to the rules surrounding the Affected Person Transactions on the 6 March 2014:

"The Oversight Board must confirm that any transactions or engagements by Affected Persons where the proposed transaction, is 5% or more of the most recent net asset value of the REIT as stated in the last published audited accounts of the REIT are least as favourable as any similar transaction entered into with an independent third party. The Oversight Board must provide written notification to the DFSA where the proposed transaction is less than 5% but more than 2.5% of the most recent net asset value of the REIT as stated in the last published audited accounts of the REIT".

The Board was satisfied that all the affected party transactions during the year were in accordance to the requirements of the Modification Notice. There were no new affected party transactions in 2015 and the affected party transactions during the year were based on existing approved contracts/lease agreements.

Valuation Requirements

The Oversight Board is satisfied that the valuations of the REIT properties were conducted in accordance to the CIR 13.4.23(b). The valuation of the Portfolio of the REIT were conducted by CBRE and Asteco Property Management LLC.

The acquisitions during the year were USD 26.8 million and the Oversight Board was satisfied that all the acquisitions were made in accordance to Rule 13.4.21.

Waivers and Modification Notices Granted in 2015

On 3 May 2015 the DFSA granted the REIT Manager the following Waiver and Modification Notices;

Custodian

The Waiver removed the requirement to appoint an Eligible Custodian for the safe-keeping of the title deeds of the Real Properties of the REIT. This allows the REIT Manager to safe keep these documents on their own premises, subject to certain controls.

The Oversight Board is satisfied that the systems and controls surrounding the safe custody of the Real Property remain adequate.

Borrowing

Under the REIT Regulations, the borrowing limitations imposed on the REIT are that the REIT may not borrow more than 70% of the Net Asset Value of the REIT. On 3 May 2015, the DFSA approved a new Modification Notice such that the borrowing limit had been lifted to 50% of Gross Asset Value.

The Oversight Board is satisfied that borrowing limits were observed. The total borrowings as at 31 December 2015 was USD 257 million against gross asset value of USD 741 million, a ratio of 34.71%.

Post Period Event – DFSA CIR Rules Amended

On 1st February 2016, following a public consultation period, the DFSA introduced revised CIR Rules such that the relief granted by the Custody Waiver and the Borrowing Limits Modification Notice, have been incorporated into the CIR Rules.

Compliance

The Board is satisfied that the REIT Manager is complying with the terms and conditions of its license, particularly with respect to the management of the REIT. The Board is also satisfied that the REIT is being managed in accordance with its constitution.

The Board is satisfied that the REIT Manager's systems and controls, particularly those relating to risk management and compliance operate as intended and remain adequate.

The Board does not feel that there are any actual or potential breaches of Rules 10.3.4 (a) or (b) to be reported for the REIT Manager.

The Board also does not have any matter to report to the DFSA.

Shari'a Compliance Certificate

issued by the Shari'a Supervisory Board
for the period ended 31 December 2015

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 seven 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 (the "Dar Al Shari'a") on the REIT for the period commencing from 1 July 2015 and ending on 31 December 2015 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

Shari'a Review of the REIT by Shari'a 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 hereby pronounce our opinion as follows:

a) The Activities and Transactions executed by the REIT during the period commencing from 1 July 2015 and ending on 31 December 2015 (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.

NB:

For Shari'a Compliance Certificate relative to the period starting 1 Januuary 2015 and ending 31 July 2015, please refer to our H12015 Report.

OPERATING AND FINANCIAL REVIEW

Summary

The following is a discussion and analysis of the results of operations and financial condition of the REIT as at and for the year ended 31 December 2015 ("FY 2015"), and presents the REIT Manager's perspective on the results of operations and financial condition of the REIT as at this date and during this period. This operating and financial review should be read in conjunction with the REIT's audited Financial Statements for the year ended 31 December 2015 (the "Financial Statements") set out in Appendix A to this report.

The discussion and analysis in this section is based on the Financial Statements, which are prepared in accordance with International Financial Reporting Standards (IFRS). Save as disclosed, all financial information included in this Operating and Financial Review has been extracted from the Audited Financial Statements or extracted from the underlying accounting records of the REIT.

The functional currency of the REIT is UAE Dirhams, however the financial statements are presented in USD, the REIT's presentational currency translated at a rate of AED 3.673 to 1 USD.

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Overview

The REIT is a closed-ended investment company with unlimited duration and was established in the DIFC by the REIT Manager on 28 November 2010 under the Companies Law with the name "Emirates REIT (CEIC) Limited" and with registration number 0997. The REIT is categorized under the Dubai Financial Services Authority (the "DFSA") Collective Investment Rules as a Domestic Fund, an Islamic Fund, a Property Fund and a Real Estate Investment Trust (REIT). The REIT was admitted to the official list maintained by the DFSA and also to trading on NASDAQ Dubai on the 8 April 2014.
The REIT is managed by the REIT Manager, which is the sole Director of the REIT.

The REIT does not hold any subsidiary interests as of the date of this report. The REIT has two branches outside of the DIFC registered as branches of a foreign company, being the Onshore Dubai Branch and the Tecom Branch. The Onshore Dubai Branch enables the REIT to hold properties in Onshore Dubai and the Tecom Branch enables the REIT to manage properties in Tecom.

Financial highlights

Income and earnings

USD'000	Year ended 31 December 2015	Year ended 31 December 2014	Absolute Change	Change %
Property income	41,489	36,926	4,563	12.4%
Net property income	81,883	64,447	17,436	27.1%
Operating profit	68,062	53,678	14,384	26.8%
Finance cost, net	(6,563)	(5,120)	(1,443)	28.2%
Net profit	61,499	48,558	12,941	26.7%
Funds from operations (FFO) [1]	8,246	11,887	(3,641)	(30.6)%
EPS (USD) [2]	0.2053	0.1878	0.0175	9.3%
FFO per share [2]	0.0275	0.0460	(0.0185)	(40.2)%
Portfolio Return [3]	14.2%	10.3%	3.9%	-

[1] FFO comprises net profit excluding revaluation gains and IPO costs

[2] Based on weighted average number of shares

[3] Portfolio return comprises annual growth in NAV per share, including the dividend paid to shareholders

Balance sheet

USD'000	Year ended 31 December 2015	Year ended 31 December 2014	Absolute Change	Change %
Investment property	673,227	575,332	97,895	17.0%
Total assets	741,344	594,149	147,195	24.8%
Equity	469,566	432,036	37,530	8.7%
Liabilities	271,778	162,113	109,665	67.6%
NAV per share (USD)	1.5672	1.4419	0.1253	8.7%
LTV	34.7%	25.8%	8.9%	-
Net cash from operating activities	16,810	11,760	5,050	42.9%

All Information is as at 31 December 2015, unless otherwise specified

The key financial highlights for the REIT for FY 2015 can be summarised as

- Property income was USD 41.49 million, up 12.4% from USD 36.93 million for the year ended 31 December 2014 ("FY 2014").
- Net property income (including revaluation gains of USD 53.25 million) was USD 81.88 million representing an increase of USD 17.44 million or 27.1% over the prior year of USD 64.45 million (including revaluation gains of USD 37.42 million).
- Net profit for FY 2015 amounted to USD 61.50 million compared to USD 48.56 million for the prior year, an increase of 26.7%.
- Funds from operations ("FFO"), comprising net profit excluding revaluation gains and IPO costs, decreased 30.6% to USD 8.25 million. This decrease is mainly as a result of a full 12 months' service charges for Index Tower Office which has not been fully matched by revenue during the year. This will reverse over time as more Index floors are re-developed, fitted out and leased.
- Investment property revaluation gains amounted to USD 53.25 million in FY 2015. This portfolio valuation uplift primarily reflects the completion of three fitted out office floors in Index Tower and the commencement of the fit-out of a further two floors. Valuation gains were also aided by higher rental values at the Loft Offices and Office Park. Assumed capitalisation yields have remained broadly consistent with those used for the valuations at 31 December 2014.
- NAV per share has increased from USD 1.44 as at 31 December 2014 to USD 1.57 as at 31 December 2015. Excluding the impact of the dividends paid of USD 0.08 per share, this represents an increase of USD 0.21 per share or an annual percentage return of over 14.2%.
- The portfolio value at 31 December 2015 stood at USD 673.23 million compared to USD 575.33 million at 31 December 2014 primarily due to the impact of the valuation gains during the period of USD 53.25 million, the acquisition of and work-in-progress in relation to Jebel Ali School totalling USD 29.97 million and the cost of work completed at Index Tower of USD 14.67 million.
- During 2015 the REIT increased its Islamic financing across four Islamic financing facilities and new borrowings (net) amounted to USD 123.06 million. Net of ongoing repayments of borrowings of USD 19.13 million during the year, total Islamic financing increased by USD 104.11 million to USD 257.29 million as at 31 December 2015 (FY 2014: USD 153.18 million). The overall increase in borrowings reflects the REIT's proactive approach to managing its balance sheet, financing its existing projects and securing additional funds for new growth opportunities in the future. The weighted average cost of financing as at 31 December 2015 was 3.76% (being 3-month EIBOR of 1.05% plus weighted average margin of 2.71%) compared with 3.26% at the previous year

end (being 3-month EIBOR of 0.68% plus weighted average margin of 2.58%).

- Borrowings to gross assets at 31 December 2015 stood at 34.7%, well below the regulatory maximum for the REIT of 50%.
- No new shares were issued during FY 2015 compared to a total of 147,977,941 new shares that were issued in FY 2014 relating to the IPO of the REIT giving gross proceeds of USD 201.25 million. IPO costs of USD 0.75 million and USD 7.85 million were taken to the income statement and equity share premium respectively during FY 2014.
- An interim dividend for FY 2014 was paid on 31 January 2015 of USD 0.04 per share (total USD 11.98 million).
- A further final dividend for FY 2014 of USD 0.04 per share, representing a total of USD 11.98 million, was paid on 30 June 2015 to shareholders. Total dividends paid in the period relating to FY 2014 totalled USD 0.08 per share or USD 23.97 million.
- An interim dividend for FY 2015 of USD 0.04 per share, representing a total of USD 11.98 million, was approved by shareholders on 17 January 2016 and was paid by 25 January 2016 to shareholders on the register on 11 January 2016.

Reconciliation of movement in NAV

	Total (USD million)	Per Share (USD)
NAV at 31 December 2014	432.04	1.44
Movement in property values	53.25	0.18
Dividend	(23.97)	(0.08)
Funds from Operations (FFO)[1]	8.25	0.03
NAV as at 31 December 2015	**469.57**	**1.57**

[1] FFO comprises Net Profit excluding revaluation gains and IPO costs

The NAV per share has increased from USD 1.44 as at 31 December 2014 to USD 1.57 as at 31 December 2015 as a result of a USD 0.18 per share net rise in property values and a USD 0.03 per share contribution from FFO for FY 2015, partially offset by the dividend paid during the year of USD 0.08 per share. Including the impact of the dividends paid, this represents an annual percentage return of over 14.2%.

Analysis of Results of Operations

Summary income statement

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Rental income	36,887	33,019	3,868	11.7%
Service fee income	4,352	3,523	829	23.5%
Other income	250	384	-134	(34.9)%
Property income	41,489	36,926	4,563	12.4%
Property operating expenses	(12,859)	(9,897)	(2,962)	29.9%
Net rental income	28,630	27,029	1,601	5.9%
Revaluation gains	53,253	37,418	15,835	42.3%
Net property income	**81,883**	**64,447**	**17,436**	**27.1%**
Management fees	(11,886)	(8,842)	(3,044)	34.4%
General and administrative expenses	(1,593)	(800)	(793)	99.1%
REIT administration fee	(240)	(205)	(35)	17.1%
Audit and professional fees	(99)	(104)	5	(4.8)%
Other expenses	(3)	(71)	68	(95.8)%
IPO costs	–	(747)	747	(100.0)%
Operating profit	**68,062**	**53,678**	**14,384**	**26.8%**
Finance cost, net	(6,563)	(5,120)	(1,443)	28.2%
Net Profit	**61,499**	**48,558**	**12,941**	**26.7%**
Funds from Operations (FFO) [1]	8,246	11,887	(3,641)	(30.6)%

EPS (USD)	0.2053	0.1878	0.0175	9.3%
FFO per Share (USD)	0.0275	0.0460	(0.0185)	(40.2)%

[1] FFO comprises Net Profit excluding revaluation gains and IPO costs

Rental Income by property

	Year ended 31 December			
USD'000	2015	2014	Absolute Change	Change %
Properties with full 12-month income contribution				
Building 24	2,161	2,029	132	6.5%
Indigo 7	945	893	52	5.8%
Loft Offices	5,950	5,456	494	9.1%
Office Park	13,748	13,264	484	3.6%
GWAD	9,979	10,021	(42)	0.0%
Sub-total rental income	32,783	31,663	1,120	3.5%
Properties with part year contribution				
Index Tower	960	13	947	7,284.6%
Le Grande	2,013	1,343	670	49.9%
Jebel Ali School	1,131	-	1131	-
Sub-total rental income	4,104	1,356	2,748	202.7%
Total rental income all properties	**36,887**	**33,019**	**3,868**	**11.7%**

A “like for like” comparison of properties in operation for both years shows a 3.5% increase in rental income for FY 2015 compared to FY 2014.

The Loft Offices and Office Park are the primary contributors to the absolute increase in "like for like”rental income, principally due to rising rental rates.

Le Grande, the retail mall acquired on 18 May 2014, has contributed twelve months’ rental income to the total rental revenue recorded during the year (FY 2014: 7.5 months).

At Index Tower, the fit-out and sub-division process for the offices has progressed well and a number of new leases were signed during the year. As at 31 December 2015, the building had 21 tenants and a total occupancy of 12.8%, contributing USD 0.96 million to rental income in FY 2015.

The Jebel Ali School site was acquired on 2 August 2015 and, in accordance with the lease agreement with the school, the full USD 2.72 million first year rental income was received in advance, of which approximately 5 months was earned during FY 2015 amounting to USD 1.13 million.

Service fee income by property

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Building 24	467	404	63	15.6%
Indigo 7	35	22	13	59.1%
Office Park	1,849	1618	231	14.2%
Loft Offices	1,515	1,193	322	27.0%
GWAD	-	-	-	-
	3,866	**3,237**	**629**	**19.4%**
Index Tower	160	-	160	-
Le Grande	326	286	40	14.0%
Jebel Ali School	-	-	-	-
Total service income	**4,352**	**3,523**	**829**	**23.5%**

A "like for like" comparison of properties in operation for both years shows a 19.4% increase in service fee income for FY 2015 compared to FY 2014.

The Loft Offices and Office Park are the primary contributors to the absolute increase in "like for like" service fee income, where the policy of moving towards full recovery of operational costs continues to improve the level of service fee income.

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

Other Income

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Other property income	250	384	(134)	(34.9)%
Total other income	**250**	**384**	**(134)**	**(34.9%)**

Other property income declined by USD 0.13 million in FY 2015 to USD 0.25 million as FY 2014 included early termination fees of USD 0.13 million relating to a lease cancellation at Le Grande which is not recurring in 2015.

Property Operating Expenses

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Property management fees	1,161	932	229	24.6%
Facility management fees - fixed	1,758	1,323	435	32.9%
Facility management fees - variable	1,260	849	411	48.4%
Utilities	2,784	2,609	175	6.7%
Community fees	279	342	(63)	(18.4)%
Land rent	1,250	1,292	(42)	(3.3)%
Service charges	3,635	1,940	1,695	87.4%
Other	732	610	122	20.0%
Total property operating expenses	**12,859**	**9,897**	**2,962**	**29.9%**

The primary impact on total property operating costs in FY2015 compared to FY 2014 is service charges for Index Tower which increased significantly on the acquisition of the commercial office floors in June 2014. A full twelve months service charges are reflected in FY 2015 for both Index and Le Grande compared with 6 and 7.5 months respectively in FY 2014.

The increase in property management fees in FY2015 is primarily due to the inclusion of a full twelve months charge for Le Grande during the year (FY 2014 : 7.5 months) and the cost of a full time Property Manager at Index Tower (FY 2014: Nil).

Facility management fixed costs have increased largely due to a decision to re-tender facility management at Office Park and Building 24 to provide a wider scope of higher quality services. For facility management variable costs, a portion of the increase seen is in relation to Le Grande where four months' costs were recorded in FY 2014 compared with a full year's charge in FY 2015. In addition, proactive maintenance costs at both Building 24 and Office Park have also contributed to the increase.

The effect of the increase in property operating expenses as explained above is to reduce the FY 2015 net rental income margin to 69.0% from 73.2% for FY 2014. This margin should recover as the Index Tower assets generate further income and the benefits of Le Grande turn-around start to come through.

Gain on revaluation of investment properties

USD'000	Investment Property fair value 31 December 2014	Acquisitions	Additions	Valuation Gain/(Loss)	Investment Property fair value 31 December 2015
Building 24	18,740	-	-	(261)	18,479
Indigo 7	8,037	-	-	(142)	7,895
Office Park	128,927	-	-	4,024	132,951
Loft Offices	66,899	-	599	9,905	77,403
GWAD	85,415	-	-	822	86,237
Index Tower	234,454	-	13,468	37,312	285,234
Le Grande	31,547	-	-	(433)	31,114
Jebel Ali School	-	26,807	3,161	2,026	31,994
Total	**574,019**	**26,807**	**17,228**	**53,253**	**671,307**

All the buildings have been professionally revalued at 31 December 2015 by the REIT's external independent property valuers. The main valuation gains during the period relate primarily to Index Tower Office, the Loft offices and Office Park.

The valuation increase for Index Tower mainly represents the uplift in value on the commercial office floors. The majority of office floors continue to be valued on a comparable method with the exception of those floors where the fit-out is completed or under way, where the valuation has moved to a discounted cash flow basis. Because of the higher cash flows that can be achieved on fitted-out floors, those floors can command a valuation premium to shell-and-core floors.

The additions during the period in relation to Index Tower relate to the transfer of capitalised costs from investment property under re-development and fit-out to investment property. Expenditure on the Lofts relates to the replacement of air conditioning chiller units.

The Lofts continue to be very popular with high occupancy and the increase in value seen represents an increase in the estimated rental values used by the external valuers based on the rentals being achieved for this asset.

The Jebel Ali school site was acquired on 2 August 2015 and USD 3.16 million was incurred during FY 2015 for the construction of the asset, principally relating to design costs and sub-structure works.

Assumed capitalisation yields have remained broadly consistent with those used for the valuations at 31 December 2014.

Investment property work in progress

USD'000	31 Dec 2014	Work in progress during the period	Transfer to completed property	31 Dec 2015
Investment property under re-development and fit-out	1,313	14,674	(14,067)	1,920

Investment property under re-development and fit-out relates primarely to Index Tower where USD 14.67 million work in progress was incurred during FY 2015 and USD 14.07 million was transferred to investment property upon completion.

General and Administrative expenses

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Custodian fees	20	43	(23)	(53.5)%
Board fees	250	182	68	37.4%
Valuation fees	115	107	8	7.5%
Legal expenses	154	112	42	37.5%
Branding / Marketing	704	233	471	202.1%
Other	350	123	227	184.6%
Total	**1,593**	**800**	**793**	**99.1%**

Board fees across all boards increased following the IPO and the full increase is reflected in the FY 2015 costs.

Branding and marketing costs have increased from FY 2014 reflecting, among others, increased costs from ongoing PR communications costs as a listed company, increased costs from marketing at Cityscape events and the costs of re-branding and design costs at a number of the REIT's properties.

Other expenses have increased from FY 2014, primarily due to the full year impact of regulatory and listing costs following the IPO as well as non-recurring advisory fees of USD 0.14 million.

Management fees

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Management fee	9,983	7,924	2,059	26.0%
IPO performance fee	-	617	(617)	(100.0)%
Annual performance fee	1,903	301	1,602	532.2%
Total	**11,886**	**8,842**	**3,044**	**34.4%**

The management fee represents fees payable to the REIT Manager under the terms of the REIT Management agreement.

The REIT Manager is entitled to receive a fee equal to 1.5% per annum of the gross asset value of the REIT.

The increase in management fees in FY 2015 compared to FY 2014 is consisted with the average increase in gross assets from USD 333.21 million at 1 January 2014 to USD 741.34 million at 31 December 2015.

The IPO performance fee was a one off fee payable to the REIT Manager on the IPO of the REIT and was based on 5% of the increase in NAV from the inception of the REIT to the time of the IPO.

The REIT Manager is entitled to receive an annual performance fee equal to 3% of the Increase in Net Asset Value. This fee is paid and calculated annually based on the final audited year end results. The REIT accrues for the performance fee (if any) on an ongoing basis based on NAV movement.

Net Finance Cost

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Islamic finance income	17	76	(59)	(77.6)%
Islamic finance expense	(6,580)	(5,196)	(1,384)	26.6%
Total	**(6,563)**	**(5,120)**	**(1,443)**	**28.2%**

The financing cost has been impacted in FY 2015 compared to FY 2014 by the additional net borrowings of USD 103.93 million under Islamic financing facilities drawn down during the year.The weighted average cost of financing as at 31 December 2015 was 3.76% (being 3-month EIBOR of 1.05% plus weighted average margin of 2.71%) compared with 3.26% at the previous year end (being 3-month EIBOR of 0.68% plus weighted average margin of 2.58%).

Liquidity and Capital Resources

Cash Flow

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Net cash from operating activities	16,810	11,760	5,050	42.9%
Net cash used in investing activities	(43,684)	(224,273)	180,589	(80.5)%
Net cash from financing activities	73,980	220,997	(147,017)	(66.5)%
Net increase in cash	47,106	8,484	38,622	455.2%
Cash at the beginning of the period	16,629	8,145	8,484	104.2%
Cash at the end of the period	**63,735**	**16,629**	**47,106**	**283.3%**

Investing activities relate to expenditure at Index Tower Office on the fit out of commercial office floors and the development of the Retail space amounting to USD 14.94 million and the acquisition of the Jebel Ali site and subsequent development costs of the school amounting to USD 26.81 million and USD 3.16 million respectively.

Expenditure in the comparative period for FY 2014 related to expenditure on the acquisition of Le Grande Community Mall and the 15.64 floors of commercial offices at Index Tower.

Financing cash flows for FY 2015 include a net increase in Islamic financing of USD 103.93 million. This is offset by financing cash outflows relating to and the total dividend payments in the period of USD 23.97 million (FY 2014 USD 14.98 million) representing total dividends of USD 0.08 per share. Finance expense cash outflow during FY 2015 was USD 5.98 million (FY 2014 USD 4.93 million).

Financing cash flows for FY 2014 included the IPO proceeds net of costs of USD 193.40 million in addition to a net increase in Islamic financing of USD 47.51 million.

At 31 December 2015 the REIT had contractual future minimum rentals receivable as lessor under operating leases within one year of USD 34.55 million, within two to five years of USD 71.02 million, and after more than five years of USD 237.39 million.

Islamic finance facilities

USD'000	Year ended 31 December 2015	2014	Absolute Change	Change %
Current portion	23,963	16,486	7,477	45.4%
Long-term portion	233,327	136,697	96,630	70.7%
Total	**257,290**	**153,183**	**104,107**	**68.0%**
Debt finance as a % of NAV	54.8%	35.5%	19.3%	54.5%
Debt finance as a % of total assets	**34.7%**	**25.8%**	**8.9%**	**34.6%**

On 15 January 2015 Emirates REIT increased its financing with Ajman Bank PJSC by drawing down an additional USD 25.93 million (AED 95.25 million), bring the total borrowing with Ajman Bank PJSC to USD 50.37 (AED 185 million) secured by way of mortgage on the GEMS World Academy. The terms of the Ijarah facility remained at a profit rate of 3 month EIBOR +2.5% (no minimum) with the full amount of the total borrowings being fully amortized over 10 years from the 15 January 2015.

On 23 July 2015 Emirates REIT drew down USD 20.42 million (AED 75 million) under a new Islamic financing with Union National Bank, secured by way of new mortgage on REIT properties that were previously unsecured. The finance is on a profit rate of 3 month EIBOR + 2.5% with no minimum and the finance amortizes fully over 10 years in quarterly installments.

On 26 July 2015 Emirates REIT drew down new Ijarah financing with Emirates Islamic Bank of USD 24.50 million (AED 90 million) secured by way of additional mortgage on the Loft Offices on the same terms as existing EIB financing (profit rate of 3 month EIBOR plus 2.5%, no minimum, fully amortizing over 10 years).

On 1 December 2015 Emirates REIT drew down USD 54.45 million (AED 200 million) as a first tranche under a new USD 108.90 million (AED 400 million) facility with Abu Dhabi Commercial Bank. The facility is secured by mortgage on various floors at Index Tower. Funds drawn down under the facility are initially profit only with a repayment of principal by way of bullet payments in year 4 (15%) and year 5 (85%). The profit rate is 3 month EIBOR + 2.5% with no minimum.

At 1 January 2015, 3-month EIBOR stood at 0.68%. This increased over FY 2015 to 1.05% and as at 31 December 2015 the weighted average cost of financing was 3-month EIBOR plus 2.71%. Principal of USD 19.13 million was repaid during FY 2015 on all the REIT's finance facilities (FY 2014 10.93 million).

The regulatory limit on borrowings for the REIT is set at 50% of gross asset value meaning that the capacity for additional borrowings at 31 December 2015 is in excess of USD 225 million. At 31 December 2015 first rank legal mortgages of USD 367.75 million (31 December 2014: USD 170.43 million) had been granted over REIT properties. All of the REIT's financing facilities are secured by way of legal mortgage over the REIT's properties.

APPENDIX A

Audited Financial statements

for the year ended 31 December 2015

Financial Statements

for the Financial Year 2015

Independent Auditor's Report

to the shareholders of Emirates REIT (CEIC) Limited

Report on the financial statements

We have audited the accompanying financial statements of Emirates REIT (CEIC) Limited ("the REIT"), which comprise the balance sheet as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

REIT Manager's responsibility for the financial statements

Emirates REIT Management (Private) Limited ("the REIT Manager") is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the applicable regulatory requirements of the Dubai Financial Services Authority ("DFSA"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the REIT as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the other regulatory requirements

As required by the applicable provisions of the DFSA Rulebook, we report that the financial statements have been properly prepared in accordance with the applicable requirements of the DFSA.Further, we report that:

i) the REIT has maintained proper books of accounts and the financial statements are in agreement therewith;

ii) we have obtained all the information and explanations which we considered necessary for the purposes of our audit; and

iii) the financial information included in the section titled 'Report of the REIT Manager' within the Annual Report is consistent with the financial statements of the REIT.

PricewaterhouseCoopers,
Dubai, United Arab Emirates

Audit Principal – Mohamed ElBorno
16 February 2016

Balance Sheet

USD'000 / As at 31 December	Note	2015	2014
ASSETS			
Non-current assets			
Investment properties	5	673,227	575,332
Current assets			
Receivables, prepayments and other assets	6	4,382	2,188
Cash and cash equivalents	7	63,735	16,629
Total current assets		**68,117**	**18,817**
TOTAL ASSETS		**741,344**	**594,149**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	299,621	299,621
Share premium	8	59,393	59,393
Retained earnings		110,552	73,022
TOTAL EQUITY		**469,566**	**432,036**
LIABILITIES			
Non-current liabilities			
Islamic financing	9	233,327	136,697
Current liabilities			
Islamic financing	9	23,963	16,486
Accounts payable and other liabilities	10	14,488	8,930
Total Current liabilities		**38,451**	**25,416**
TOTAL LIABILITIES		**271,778**	**162,113**
TOTAL EQUITY AND LIABILITIES		**741,344**	**594,149**
NET ASSET VALUE			
Net asset value (USD)		469,565,407	432,035,659
Number of shares*		299,620,541	299,620,541
NET ASSET VALUE PER SHARE in USD		**1.57**	**1.44**

These financial statements were approved by the Board of Directors of Emirates REIT Management (Private) Limited as sole director of the REIT on 16 February 2016 and signed on their behalf by Sylvain Vieujot, Executive Deputy Chairman and James Anderson, Chief Financial Officer.

Statement of Comprehensive Income

USD'000 / As at 31 December	Note	2015	2014
PROPERTY INCOME			
Rental income		36,887	33,019
Service fee income		4,352	3,523
Other property income		250	384
Total property income		**41,489**	**36,926**
Property operating expense		(12,859)	(9,897)
		28,630	**27,029**
Net unrealised gain on revaluation of investment property	5	53,253	37,418
Net property income		**81,883**	**64,447**
FEES AND OTHER EXPENSES			
Management fee	13	(9,983)	(7,924)
Performance fee	13	(1,903)	(918)
General and administrative expenses		(1,593)	(800)
REIT administration fee		(240)	(205)
Legal and professional fees		(99)	(104)
Other expenses		(3)	(71)
Initial Public Offering ("IPO") costs		-	(747)
Total fees and other expenses		**(13,821)**	**(10,769)**
Operating profit		**68,062**	**53,678**
FINANCE COSTS AND INCOME			
Finance income		17	76
Finance costs		(6,580)	(5,196)
Finance costs, net		**(6,563)**	**(5,120)**
Profit and total comprehensive income for the year		**61,499**	**48,558**
EARNINGS PER SHARE			
Basic and diluted earnings per share (USD)	14	0.21	0.19

Statement of Changes in Equity

USD'000	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2014	151,643	13,970	39,445	205,058
Comprehensive income				
Profit for the year	-	-	48,558	48,558
Transactions with shareholders				
Shares capital issued (Note 8)	147,978	45,423	-	193,401
Cash Dividends (Note 12)	-	-	(14,981)	(14,981)
Total transactions with shareholders	**147,978**	**45,423**	**(14,981)**	**178,420**
Balance at 31 December 2014	**299,621**	**59,393**	**73,022**	**432,036**
Comprehensive income				
Profit for the year	-	-	61,499	61,499
Transactions with shareholders				
Cash Dividends (Note 12)	-	-	(23,969)	(23,969)
Total transactions with shareholders	**-**	**-**	**(23,969)**	**(23,969)**
Balance at 31 December 2015	**299,621**	**59,393**	**110,552**	**469,566**

The notes form an integral part of the financial statements

Statement of cash flows

		Year ended 31 December	
USD'000	Note	2015	2014
Operating activities			
Profit for the year		61,499	48,558
Adjustments for			
Net unrealised gain on revaluation of investment property	5	(53,253)	(37,418)
Finance expense		6,580	5,196
Finance income		(17)	(76)
Provision for doubtful debts, net		78	77
Operating cash flows before changes in working capital		**14,887**	**16,337**
Changes in working capital			
Receivables, prepayments and other assets (net of provisions)		(2,272)	(331)
Accounts payable and other liabilities		4,195	(4,246)
Net cash generated from operating activities		**16,810**	**11,760**
Cash flows from investing activities			
Purchase/development of investment properties		(43,701)	(224,349)
Finance income received		17	76
Net cash used in investing activities		**(43,684)**	**(224,273)**
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		-	193,401
Islamic financing obtained (net)		103,925	47,507
Dividend paid	12	(23,969)	(14,981)
Finance expense paid		(5,976)	(4,930)
Net cash (in use) / generated from financing activities		**73,980**	**220,997**
Net increase in cash and cash equivalents		47,106	8,484
Cash and cash equivalents at the beginning of the year		16,629	8,145
Cash and cash equivalents at the end of the year	7	**63,735**	**16,629**

Non cash transactions

No significant non cash transactions were entered into in 2015. (2014:nil)

Notes to the Financial Statements

for the year ending 31 December 2015

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 the REIT Manager, 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 5, Gate Village 4, DIFC, P.O. Box 482015, Dubai, UAE.

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.

These financial statements have been approved by Emirates REIT Management (Private) Limited as sole director of the REIT on 16 February 2016.

2 - Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

Statement of compliance

The financial statements of the REIT have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board and the applicable requirements of the DIFC Laws.

Income and cash flow statement

The REIT has elected to present a single statement of comprehensive income and presents its expenses by function.

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.

Preparation of the financial statements

The financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of investment property at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the REIT's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Change in accounting policies and disclosures

New standards, amendments and interpretations adopted by the REIT

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have a material impact on the REIT.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the REIT's financial statements are disclosed below. The REIT intends to adopt these standards, if applicable, when they become effective.

- IFRS 9, 'Financial instruments' (effective 1 January 2018);
- IFRS 11, 'Joint arrangements' (amendment), (effective from 1 January 2016);
- IFRS 14, 'Regulatory deferral accounts', (effective from 1 January 2016);
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018);
- IAS 1, Presentation of financial statement (amendment), (effective from 1 January 2016);
- IAS 16, 'Property, plant and equipment' (amendment), (effective from 1 January 2016); and
- IAS 38, 'Intangible assets' (amendment), (effective from 1 January 2016).

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact n the REIT.

2.2 Segment Reporting

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

2.3 Foreign currency translation

Functional and presentation currency

The functional currency of the REIT is UAE Dirhams ("AED"). The presentation currency of the financial statements of the REIT is USD translated at a rate of AED 3.673 to 1 USD. The translation rate has remained constant throughout the current and previous years.

Transactions and balances

Transactions in foreign currencies are initially recorded by the REIT at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised within profit and loss in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

2.4 Investment Property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the REIT, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the REIT Manager expects that the fair value of the property will be reliably determinable when construction is completed, is measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the REIT uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the REIT accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.5 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

REIT as a lessee

I. Finance lease
Finance leases which transfer to the REIT substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

Such leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the REIT will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

II. Operating lease
Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

REIT as a lessor

Leases in which the REIT does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Refer note 2.13 for accounting policy on recognition of rental income.

2.6 Financial Assets

Classification

The REIT currently classifies its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables comprise of 'Receivables, prepayments and other assets' (Note 6) and 'cash and cash equivalents' (Note 7) in the balance sheet.

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

A provision for impairment of receivables is established when there is objective evidence that the REIT will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

2.8 Rental and service income receivables

Rental and service income receivables are amounts due from customers arising from leases on investment property in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Rental and service income receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.10 Account payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

If not, they are presented as non-current liabilities. Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Islamic Financing

Islamic financing (corporate Ijarah) is a lease agreement whereby one party (as lessor) leases an asset to the other party (as lessee), after purchasing/acquiring the specified asset according to the other party's request and promise to lease against certain rental payments for specified lease term/periods. The duration of the lease, as well as the basis for rental payments, are set and agreed in advance.

After initial recognition, profit bearing Ijarah is subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective profit rate amortisation process. Ijarah rent expense is recognised on a time-proportion basis over the Ijarah term.

2.12 Provisions

Provisions are recognised when the REIT has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the REIT and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The REIT has concluded that it is the principal in all of its revenue arrangements.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms after the spreading of tenant incentives and fixed rental increases on such lease terms and is included in rental income in the statement of comprehensive income due to its operating nature.

Service fee income

Service fee income represents amounts receivable for property service charges that are payable by tenants to contribute towards the operation and maintenance expenses of the relevant property.

Service fees are recognised on a time proportion basis in accordance with the terms of the service agreements.

2.14 Property expenses

Property expenses comprise all property related expenses which include third party property and facility management fees and utility expenses.

Property expenses are recognised in profit and loss in the period in which they are incurred (on an accruals basis).

2.15 Management Fee

Management fee represents the fee payable to the REIT Manager in relation to its management of the REIT. The management fee expense is recorded when it is due.

2.16 Performance fee

Pursuant to the REIT Management Agreement, following the listing of the REIT's shares on a recognised exchange ("Admission"), a performance fee is payable to the REIT Manager.

The REIT accrues for the amount of performance fee at the balance sheet date calculated in accordance with the REIT Management Agreement.

2.17 Dividend Distribution

Dividend distribution to the REIT's shareholders is recognised as a liability in the REIT's financial statements in the period in which the dividends are approved by the shareholders.

2.18 Earnings prohibited by Shari'a

The REIT is committed to avoiding recognising any income generated from non-Islamic sources. Accordingly, any non-Islamic income is credited to a charity fund where the REIT uses these funds for social welfare activities. To date, no non-Islamic income has been generated.

3 - Financial risk management

3.1 Financial risk factors

The REIT's principal financial liabilities comprise Islamic financing facilities and trade payables. The main purpose of these financial instruments is to fund the purchase of investment property and to finance the REIT's operations. The REIT has various financial assets such as trade receivables and bank balances and cash, which arise directly from its operations.

The main risks arising from the REIT's financial instruments are profit rate risk, foreign currency risk, credit risk, and liquidity risk.
The REIT Manager reviews and agrees policies for managing each of these risks which are summarised below:

Profit rate risk

The REIT's exposure to the risk of changes in market profit rates relates primarily to the REIT's Islamic financing facilities with floating rates and Wakala deposits. The exposure from Wakala deposits is not significant as deposit rate is fixed over the Wakala term and these deposits are short term in nature.

The REIT's Islamic financing facilities are priced at a variable rate. As at 31 December 2015, if the profit rate on Ijarah facilities had been 1% higher/lower, with all other variables held constant, profit for the year would have been USD 1,993,535 lower/higher, mainly as a result of higher/lower finance expense.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the REIT's exposure to foreign currency risk is primarily limited to the US Dollar and the UAE Dirham, which is pegged to the US Dollar, the REIT is not considered to be exposed to any significant currency risk.

Credit risk

The credit risk faced by the REIT is the risk of a financial loss if (i) tenants fail to make rental payments or meet other obligations under their leases or (ii) a counter party to a financial instrument or other financial arrangement fails to meet its obligations under that instrument or arrangement.

Financial counterparties - The REIT only maintains cash deposits with banks in the UAE that are regulated by the UAE Central Bank and which are Shari’a compliant. As a result the credit risk in respect of those entities is minimised as they are assessed by the REIT Manager to be at a relatively low risk of default.

Tenants - The REIT Manager maintains the property portfolio under continual review to minimise tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition. New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease.

The REIT Manager engages external property management agents to manage the payment of rents by tenants. The REIT Manager remains actively involved and undertakes regular consideration of tenant profiles, existing and anticipated voids, overdue rents and outstanding rent reviews. Rent deposits are held in respect of all new leases and may be withheld by the REIT in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

Liquidity risk

The liquidity risk faced by the REIT is that it may have insufficient cash or cash equivalent resources to meet its financial obligations as they fall due. The REIT actively manages liquidity risk by monitoring actual and forecast cash flows and by maintaining adequate cash reserves.

The REIT had access to an undrawn financing facility of up to USD 54,451,402 (AED 200 million) at the end of the reporting period. The facility is committed until 24 February 2017 and draw down is available in minimum tranches of USD 27,225,701 (AED 100 million) subject to conditions precedent. Conditions precedent include inter alia: registration of additional mortgages at Index Tower with a maximum loan to value of 50%, in favour of the bank; and confirmation of continued compliance with financial covenants.

The table below summarises the maturity profile of the REIT's financial liabilities based on contractual un-discounted payments.

USD'000	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2015					
Islamic financing	8,193	24,471	182,293	85,459	300,416
Accounts payable and other liabilities	5,587	1,156	2,960	-	9,703
Total undiscounted financial liabilities	**13,780**	**25,627**	**185,253**	**85,459**	**310,119**
As at 31 December 2014					
Islamic financing	5,200	17,627	105,638	62,021	190,486
Accounts payable and other liabilities	2,776	3,305	2,086	23	8,190
Total undiscounted financial liabilities	**7,976**	**20,932**	**107,724**	**62,044**	**198,676**

Capital management

The primary objective of the REIT when managing capital is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholders' value.

The REIT's strategy for its capital management is to maintain a prudent balance of equity and debt appropriate to the profile of the REIT's asset portfolio taking into account regulatory restrictions on gearing.

Capital comprises share capital, share premium and retained earnings and is measured at USD'000 469,566 as at 31 December 2015 (2014: USD'000 432,036).

Under the terms of the REIT's borrowing facilities, the REIT is required to maintain a ratio (calculated on a 12 month rolling basis) of operating profit before unrealised gains or losses on property revaluation to finance costs, above 2. As at 31 December 2015 the ratio of operating profit before unrealised gains or losses on property revaluation to finance costs was 2.25.
In addition, the REIT has covenants on the loan to value of specific assets mortgaged to its banking partners. These loan to value covenants require that the value of the outstanding finance amount to the property value should not exceed a predetermined percentage amount. The percentage amounts vary between banks and are in the range of 60% to 66.67%. The REIT has complied with its loan to value covenant requirements throughout the year.

The REIT is required by DFSA regulation to limit borrowings to a maximum of 50% of gross asset value. As of 31 December 2015, borrowings as a percentage of gross asset value was 34.7% (2014: 25.8 %).

3.2 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 the financial assets and financial liabilities are not materially different from their carrying value unless stated otherwise.

3.3 Fair value of non-financial instruments

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

USD'000	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Valuation date: 31 December 2015	-	161,766	509,541	671,307
Valuation date: 31 December 2014	-	234,454	339,565	574,019

4 - Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

4.1 Judgements

The preparation of the REIT's financial statements requires the REIT Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the REIT's accounting policies, the REIT Manager has made the following judgements, apart from those involving estimations, which have the most significan impact on the amounts recognised in the financial statements.

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.

Investment property

The REIT has elected to adopt the fair value model for investment property. Accordingly, investment property is carried at fair value with the gain or losses arising from changes in fair values of investment property included in the statement of comprehensive income.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

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 31 December 2015. For income producing investment property, a valuation methodology based on the capitalization 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, 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.

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 5.

4.2 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.

5 - Investment Property

USD'000	2015	2014
Completed Properties	671,307	574,019
Properties under re-development	1,920	1,313
	673,227	**575,332**

As at the reporting date, the REIT held total investment property amounting to USD’000 673,227 (31 December 2014: USD’000 575,332) in a real estate portfolio of eight properties (2014: seven properties) located in Dubai, UAE.

The movement in investment property during the year is as follows:

Completed properties	USD'000
Balance at 1 January 2014	323,131
Acquisitions during the year	213,423
Addition to existing properties	47
Net unrealised gain on revaluation of investment property	37,418
	574,019
Balance at 1 January 2015	**574,019**
Acquisitions during the year	26,807
Work in progress during the period	3,161
Transfer from property under re-development	14,067
Net unrealised gain on revaluation of investment property	53,253
Balance at 31 December 2015	**671,307**

One of the REIT's investment properties is constructed on a plot in Dubai which is under a concession agreement amounting to USD 7,895,453 and another one is constructed on a plot which is under a land lease agreement amounting to USD 86,237,408.

These agreements are for a remaining period of 25.9 years and 42 years respectively.

Properties under re-development and fit-out	USD'000
Balance at 1 January 2014	1,313
Work in progress during the period	14,674
Transfer to completed property	(14,067)
Balance at 31 December 2015	**1,920**

Properties under development represent redevelopment and fit out costs incurred in relation to some of the REIT's investment property and in which the work was not completed as of year-end.

Properties under development are measured at cost less impairment, if any, until the fair value becomes readily determinable or development is completed – whichever is earlier.

Acquisition of Jebel Ali School

On 2 August 2015 the REIT acquired a 33,301 sq. meter freehold plot of land from Damac Crescent Properties LLC for a cash consideration of USD 25,786,647 (AED 94,714,356). Acquisition costs included land registry fees and legal fees amounting to USD 1,020,035 (AED 3,746,590) bringing the total acquisition cost to USD 26,806,683 (AED 98,460,946). Registration of the title deed in the name of the REIT was completed on 2 August 2015. Simultaneously with the acquisition, the REIT entered into various agreements for the construction of a school and long term lease arrangements with Jebel Ali Primary School as the school operator.

A formal valuation of the REIT's investment property was performed by independent certified property valuers, on an open market basis, as at 31 December 2015.
Based on such valuations, the fair value of the investment property at 31 December 2015 was USD 668,145,633 (31 December 2014: USD 574,018,677).

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. Fair value hierarchy disclosures for investment property have been provided in Note 3.2.

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

USD'000	2015	2014
Balance at the beginning of the year	339,565	305,094
Transfer from Level 3 to Level 2	-	(33,474)
Transfer from Level 2 to Level 3	87,022	-
Addition of new investment property during the year	29,968	32,925
Net unrealized gain on revaluation of investments properties	52,986	35,020
Balance at the end of the year	**509,541**	**339,565**

For investment property categorised under Level 3 fair value hierarchy, a valuation methodology based on 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 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 the main assumptions used in arriving at the fair value of investment property are as follows:

	2015	2014
Stabilised occupancy rate (%)	90 – 100	90 – 100
Equivalent yield (%)	8.00 – 8.98	8.62 – 9.00
Operating expenses (USD/sqft)	7.88 – 25.05	5.77 – 14.42

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 carrying value of USD 491,720,051 (31 December 2014: USD 331,527,361) are mortgaged against Islamic financing facilities (Note 9).

6 - Receivables, prepayments and other assets

USD'000	2015	2014
Rental and service income receivables	375	368
Less: provision for doubtful debts	(184)	(106)
Sub total	**191**	**262**
Prepayments	3,261	1,243
Security deposits receivable	489	113
Other receivables	441	570
Total	**4,382**	**2,188**

As at 31 December 2015, trade accounts receivable of USD 183,764 (2014: USD 105,619) were fully impaired.

The movement in the allowance for impairment of receivables is as follows:

USD'000	2015	2014
Balance at the beginning of the year	106	29
Charge for the year	78	77
Balance at the end of the year	**184**	**106**

As at 31 December 2015, the ageing analysis of unimpaired receivables is as follows:

USD'000	< 30 days	30 to 60 days	60 to 90 days	> 90 days	Total
2015	34	4	19	134	191
2014	160	2	0	100	262

There is no significant concentration of credit risk with respect to trade receivables as the REIT has a large tenant base.

7 - Cash and cash equivalent

USD'000	2015	2014
Current and savings account	24,258	16,629
Wakala deposits	39,477	-
Cash at banks	**63,735**	**16,629**

Balances with banks are placed with local Islamic banks.

8 - Share capital

USD'000	Number of ordinary shares	Ordinary Shares	Share premium	Total
Opening balance as at 1 January 2015	299,620,541	299,621	59,393	359,014
At 31 December 2015	**299,620,541**	**299,621**	**59,393**	**359,014**
Opening balance as at 1 January 2014	151,642,600	151,643	13,970	165,613
Proceeds from shares issued	147,977,941	147,978	45,423	193,401
At 31 December 2014	**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.

9 - Islamic Financing

USD'000	2015	2014
Current	23,963	16,486
Non-Current	233,327	136,697
Total	**257,290**	**153,183**

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property.

On 15 January 2015 Emirates REIT increased its financing with Ajman Bank PJSC to USD 50,367,546 (AED 185,000,000) resulting in the receipt of additional gross funds of USD 25,932,232 (AED 95,249,088) secured by the way of mortgage on the GEMS World Academy. The terms of the financing facility remained 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 15 January 2015.

On 23 July 2015 the REIT drew down USD 20,419,275 (AED 75 million) under a new Islamic financing with Union National Bank (UNB) secured by way of new mortgage on two floors at Index Tower. The finance is on a profit rate of 3 month EIBOR + 2.5% with no minimum and the finance amortises fully over 10 years in quarterly instalments.

On 26 July 2015 the REIT drew down USD 24,503,131 (AED 90 million) under a new Islamic finance facility with Emirates Islamic Bank PJSC (EIB) secured by way of additional mortgage on properties already mortgaged with EIB. The additional finance is on the same terms as existing finance with EIB being a profit rate of 3 month EIBOR + 2.5% with no minimum and the finance amortising fully over 10 years in quarterly instalments.

On December 2015 the REIT drew down USD 54,451,402 (AED 200 Million) as a first tranche under a new USD 108,902,804 (AED 400 million) Islamic financing facility with Abu Dhabi Commercial Bank. The facility is secured by mortgage on various floors at Index Tower. Funds drawn down under the facility are initially profit only with a repayment of principal by way of bullet payments in year 4 (15%) and year 5 (85%). The profit rate is 3 month EIBOR + 2.5% with no minimum.

At 31 December 2015 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 + 2.7%.
(31 December 2014: 3 month EIBOR + 2.6%)

Until the introduction of revised profit rates described below, the financing facilities during 2014 had a profit rate of 3 month EIBOR + 3% (subject to a minimum of 5.5% per annum) payable in quarterly instalments.

The financing facilities are secured by the following:

- First Rank Legal Mortgages over financed properties in favour of the banks for USD 367,745,234

(31 December 2014: USD 170,432,888).

- Assignment of comprehensive insurance over financed properties in favour of the bank.
- Assignment of rental income from financed properties in favour of the bank.

10 - Accounts payable and other liabilities

USD'000	2015	2014
Tenant deposits payable	3,708	2,450
Accrued expenses	3,055	2,487
Service fee received in advance	2,594	1,796
Performance fee payable	1,903	301
Payable against investment property	1,841	900
Rent received in advance	959	827
Management fee	242	13
Other payables	149	116
Administration fee	37	40
	14,488	**8,930**

Included in the above accounts are balances due to related parties amounting to USD 2,218,488 (2014: USD 444,195) (Note 13).

Tenant deposits payable include an amount of USD 3,014,959 (2014: USD 2,109,093) relating to lease agreements for a period of more than one year.

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 - Dividends

The REIT's shareholders approved a final dividend at the annual general meeting on 21 June 2015 in relation to the year ended 31 December 2014 of USD 0.04 per ordinary share.
The total dividend amounted to USD 11,984,821 to shareholders on the register at 16 June 2015.

In January 2015, the REIT paid an interim dividend in respect of the year ended 31 December 2014 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 21 January 2015.

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.

Dubai Islamic Bank PJSC (“DIB”) holds 15.7% (2014: 15.7%) of the issued share capital of the REIT at 31 December 2015 (31 December 2014: 15.7%). DIB is also a tenant of the REIT, renting retail branch space within one of the REIT’s properties pursuant to a 15 year lease entered into on the acquisition of the Property by the REIT on 27 June 2011.

Dar Al Shari’a Legal & Financial Consultancy LLC (“Dar Al Shari’a”) is 60% owned by Dubai Islamic Bank (“DIB”). Dar Al Shari’a acts as an advisor to the REIT and REIT Manager on matters of Shari’a.

Deyaar Development PJSC (“Deyaar”) holds 1.7% of the total issued share capital of the REIT as at 31 December 2015 (31 December 2014: 1.7%). Dubai Islamic Bank (“DIB”) is a major shareholder of Deyaar. A group company of Deyaar, Deyaar Facilities Management LLC, provided facility management services in respect of one of the properties held by the REIT under a facility management services agreement which ended 31 December 2014

Emirates REIT Management (Private) Limited, a company limited by shares, is the REIT Manager of the REIT.

The REIT entered into the following significant transactions with related parties during the year:

Related Party transactions

USD'000	2015	2014
Emirates REIT Management (Private) Limited		
Management fee	9,983	7,924
Performance fee	1,903	918
Dubai Islamic Bank (P.J.S.C.)		
Rental and service income	223	160
Deyaar Facilities Management LLC		
Property expenses	-	121
Dar Al Shari'a Legal & Financial Consultancy LLC		
Professional fees	105	105

Due to related parties comprises

USD'000	2015	2014
Emirates REIT Management (Private) Limited	2,145	314
Dubai Islamic Bank (P.J.S.C.)	-	-
Dar Al Shari'a Legal & Financial Consultancy LLC	73	72
Deyaar Facilities Management LLC	-	58
Total	**2,218**	**444**

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

The Performance fee is payable annually in arrears, after the date on which the REIT's shares were listed on a recognised stock exchange, to the REIT Manager at a rate which is currently set at 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. Outstanding balances at the year-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. For the year ended 31 December 2015, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (2014: 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 year ended 31 December 2015 and 31 December 2014, there are no transactions with key management personnel as the REIT is managed by the REIT Manager for which a REIT Management fee is paid.

14 - 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 year. The calculation of the weighted average number of shares has been adjusted to reflect the 100 for 1 share split detailed in Note 8 that became effective on

26 January 2014. EPS have been presented on the basis that the share split took place at the beginning of each respective reporting period.

USD'000	2015	2014
Profit attributable to ordinary shareholders	61,499	48,558

Number of shares	2015	2014
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541

EPS	2015	2014
Basic and diluted earnings per share	0.21	0.19

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

15 - Commitments and contingencies

Commitments

At 31 December 2015, the REIT had contractual capital commitments of USD 26,819,494 (2014: USD 2,517,985) out of which USD 24,383,908 pertains to the construction of Jebel Ali School and USD 2,385,043 in relation to fit out and redevelopment work at Index Tower Office and Retail (2014: USD 6,979,136).

Contingencies

At 31 December 2015, the REIT had no contingent liabilities (2014: none).

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 27.8 years (2015: 28.8 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2015 and 31 December 2014 are as follows:

USD'000	2015	2014
Within one year	1,251	1,251
After one year but not more than five years	5,005	5,005
More than five years	26,903	28,780
	33,159	**35,036**

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 8.5 years (2014: 8.4 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

Future minimum rentals receivables under non-cancellable operating leases as at 31 December 2015 and 2014 are as follows:

USD'000	2015	2014
Within one year	34,545	31,597
After one year but not more than five years	71,023	74,276
More than five years	237,390	246,863
	342,958	**352,736**

16 - Subsequent events

On 17 January 2016, the REIT's shareholders approved an interim dividend of USD 0.04 per share amounting to a total interim dividend of USD 11,984,821 to Shareholders on the register as at 11 January 2016, which was paid on 25 January 2016.

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.

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