# Emirates Reit

Annual Report 2013

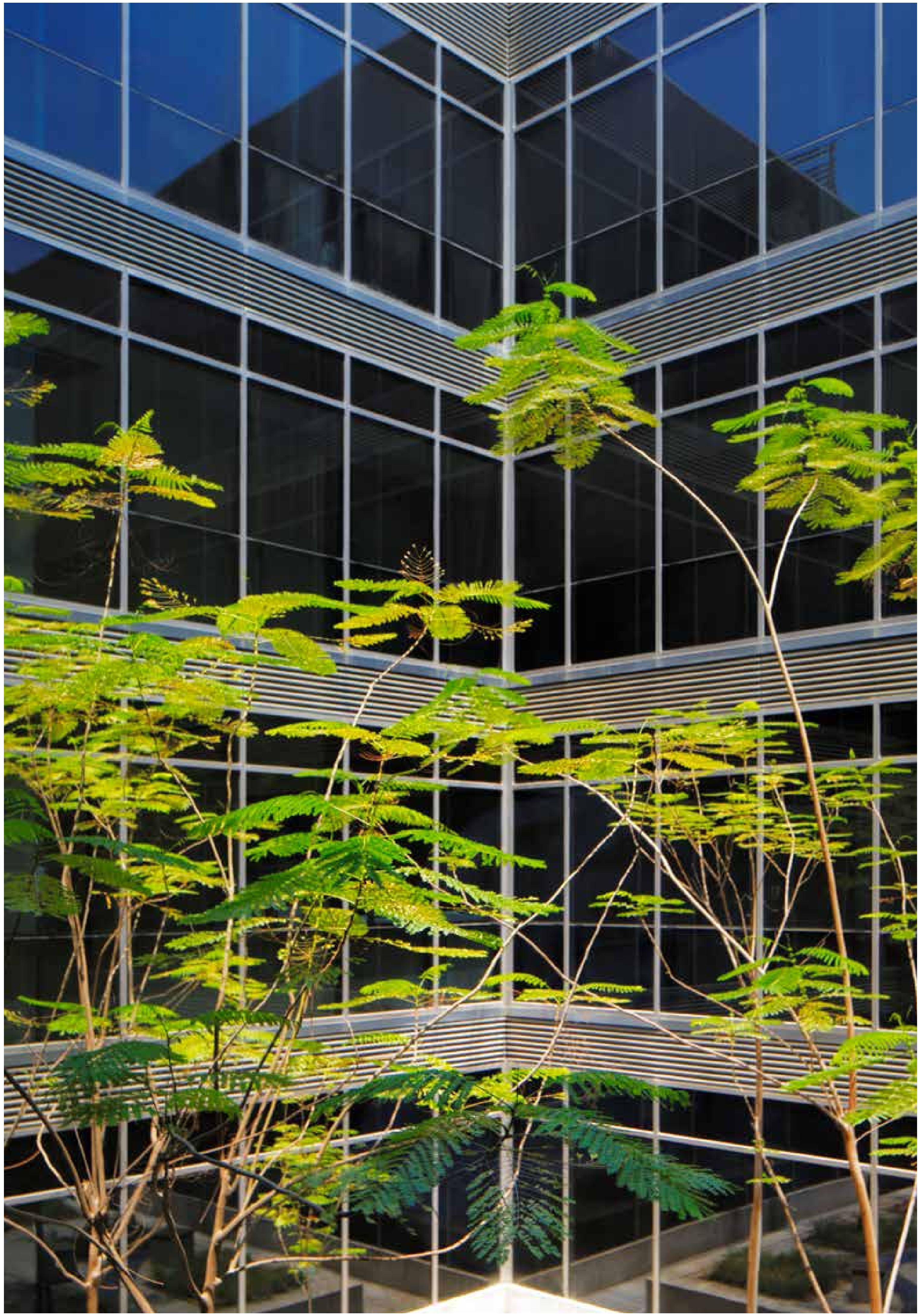


## Content

# EMIRATES REIT IN BRIEF

$100.82 $102.02 $102.80 $105.91 $107.27 $108.50 $105.32 $107.3

Emirates REIT (CEIC) Limited
Annual Report 2013





# About Us

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").

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.

For the year ended 31 December 2013, Emirates REIT had profit and total comprehensive income of US$34.8m, up from US$10.9m for the year ended 31 December 2012 and US$1.2m for the 13 month period ended 31 December 2011.

Emirates REIT's total assets were US$333.2m as at 31 December 2013 up from US$212.6m at the end of 2012 and US$70.5m at the end of 2011.

As at 31 December 2013, Emirates REIT's net asset value per share (as calculated by it's Fund Administrator) had risen to US$135.22 from US$113.83 on 31 December 2012 and from US$104.54 on 31 December 2011.

Emirates REIT is managed by the REIT Manager which is a joint venture between Dubai Islamic Bank PJSC ("DIB") and Eiffel Management Limited ("Eiffel"). Eiffel owns 75% and DIB owns 25% of the REIT Manager's total issued share capital. The REIT Manager was incorporated in the DIFC on 27 October 2010 and is licensed by the DFSA.

Emirates REIT (CEIC) Limited
Annual Report 2013

# The first Sharia compliant REIT regulated by the DFSA

Building 24
Dubai Internet City
June 2011

The Loft Offices
Dubai Media City
December 2011

Loft 1

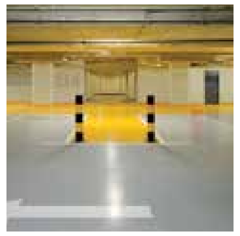
Loft 2

Loft 3

Index Tower Retail
DIFC
May 2013

Index Tower Office
DIFC
December 2013

Index Tower Car Park
DIFC
December 2013



JUNE 11 | SEPT11 | DEC 11 | MAR 12 | JUNE 12 | SEPT 12 | DEC 12 | MAR 13 | JUNE 13 | SEPT 13 | DEC 13

Indigo 7
Sheikh Zayed Road
September 2011

Office Park
Dubai Internet City
June 2012

حكومة دبي
GOVERNMENT OF DUBAI

Ruler's Decree
February 2013

Exclusive Ruler's Decree permitting the
REIT to purchase assets in Onshore Dubai

Dubai Ruler's Decree 1 of 2013
Exclusive to Emirates REIT

GEMS World Academy
Al Barsha
October 2013

## Emirates REIT in brief

The UAE first Shari'a compliant REIT established in the DIFC and regulated by the DFSA

Focus on income-producing assets with attractive investment fundamentals

Growing portfolio comprising interests in ten properties with c.1.2 million sq ft net leasable area diversified across different market segments

Good degree of income visibility and embedded organic growth opportunities within existing portfolio

Yearly dividend distributions and steady increase in NAV per share since incorporation

Experienced REIT Management with experience in UAE real estate sector

Active REIT management and enchancement of the income profile of the properties

Regulated REIT and REIT Manager with established corporate governance frame work

## REIT Regulations

80% of the net income distributed

Majority of the investments must be in real estate related assets

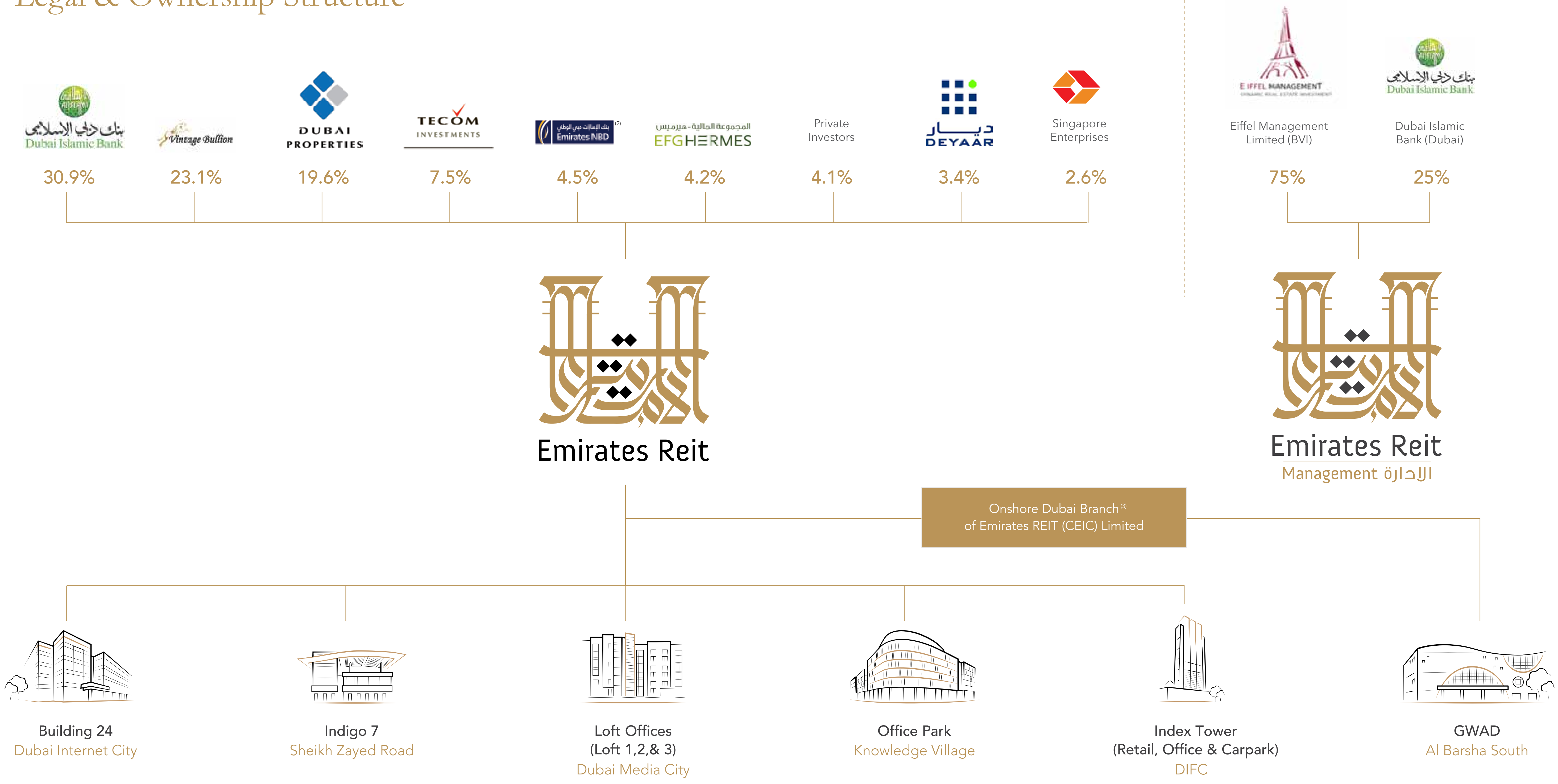
Limit on borrowing (70% of NAV)

Limited development activity (30% of portfolio)

Acquisition price cannot exceed independent valuation by more than 5%

Emirates REIT (CEIC) Limited
Annual Report 2013

# Legal & Ownership Structure[1]



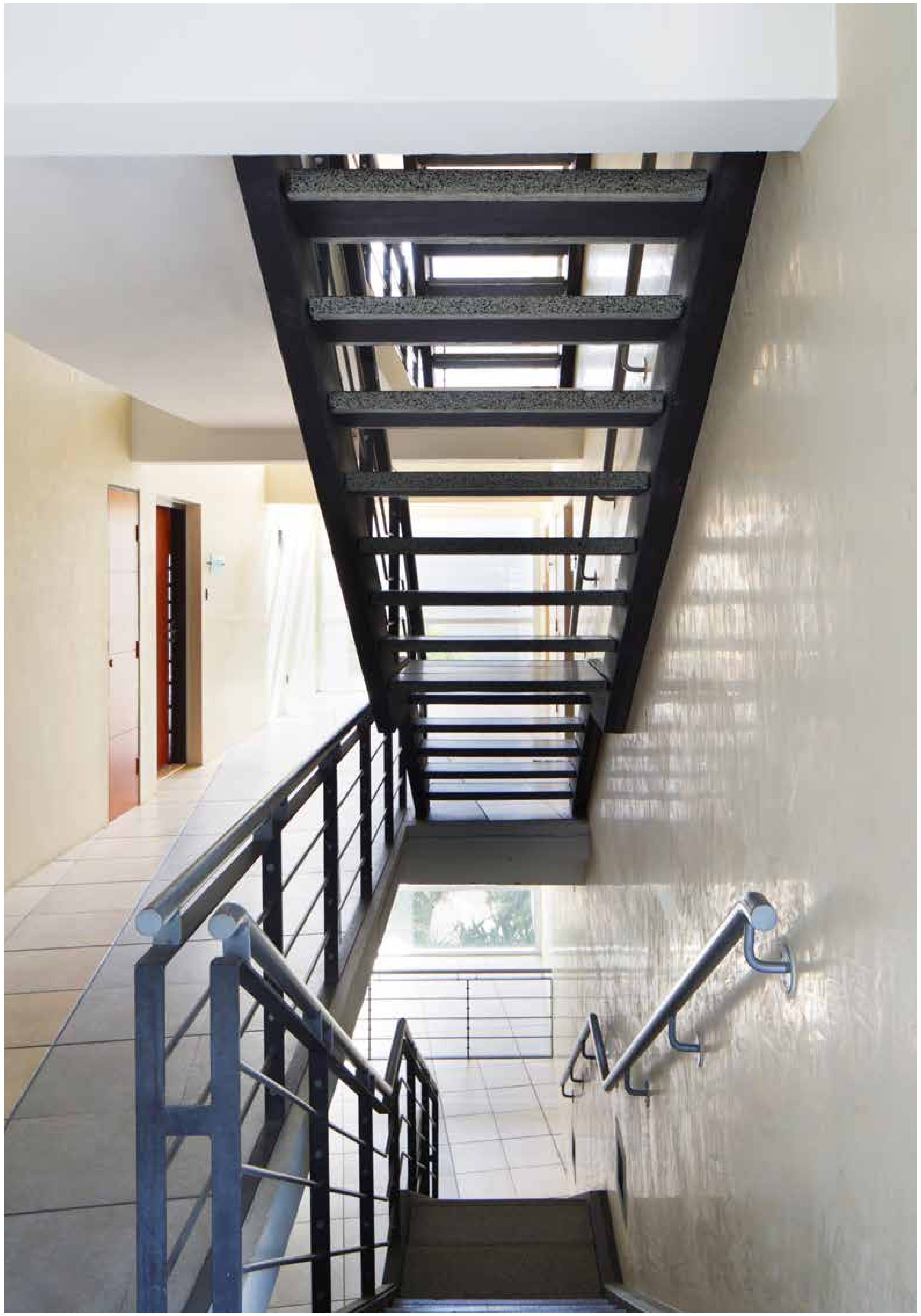

(1) As at 31 December 2013

(2) Emirates NBD PJSC is holding shares on behalf of a number of shareholders pursuant to a capital increase between October and December 2013

(3) The REIT is subject to a Ruler's Decree permitting it to aquire and own properties "onshore" in Dubai (through the REIT's Onshore Dubai branch)

Note: The REIT has a TECOM-registered branch enabling the REIT to manage properties in TECOM

Source: The REIT



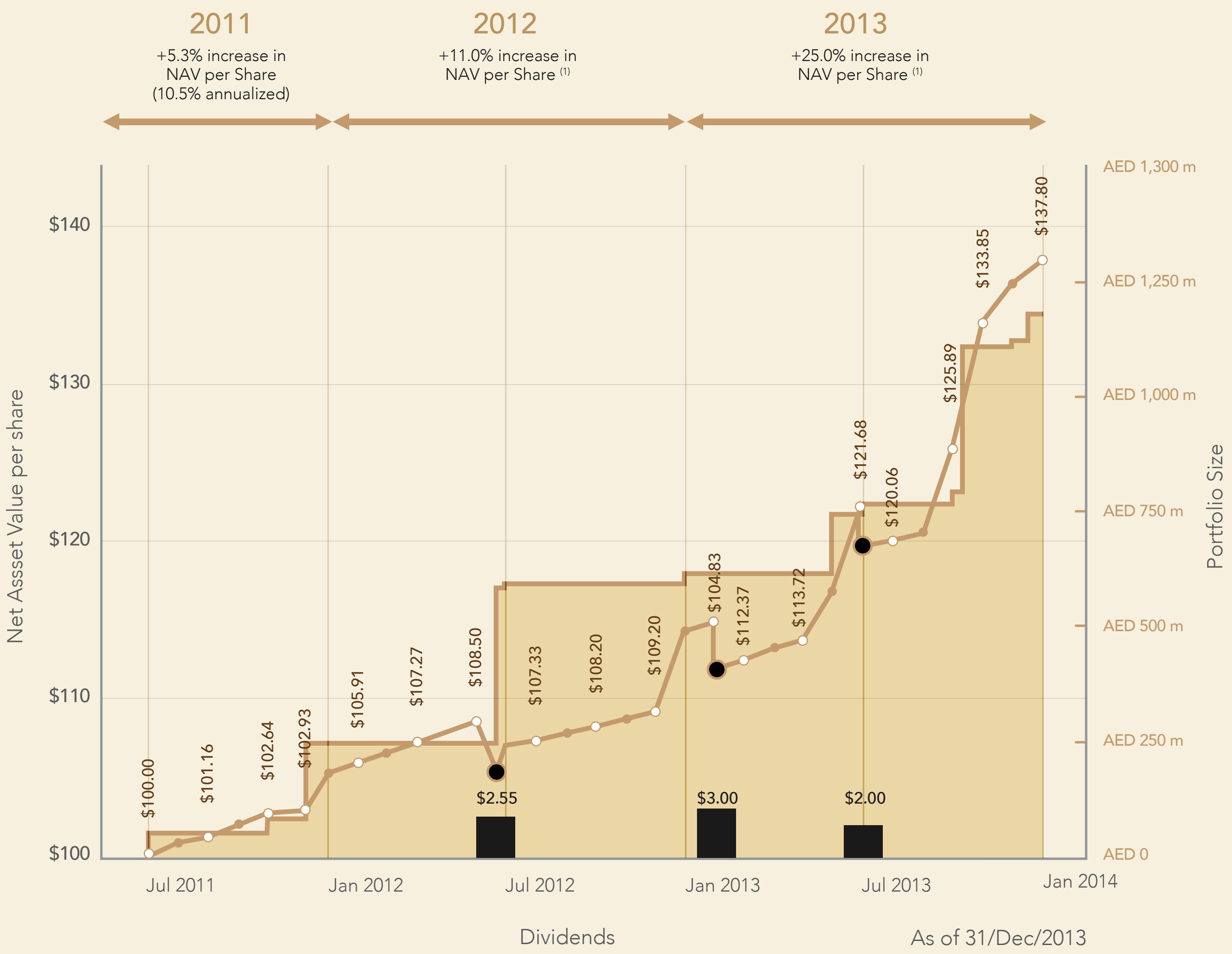


# REIT Details[1]

| | |
|---|---|
| REIT Name | Emirates REIT (CEIC) Limited |
| Date of Incorporation | 28th November 2010 |
| Shares ISIN | AEDFXA1XE5D7 |
| Nasdaq Dubai Share Trading Symbol | REIT |
| REIT Manager | Emirates REIT Management (Private) Limited |
| Portfolio size | USD 323 million |
| Gross Asset Value | USD 333 million |
| Investment Board | Marwan Bin Ghulaita – CEO of RERA (Real Estate Regulatory Agency)<br>Hamad Buamim – President & CEO of Dubai Chamber of Commerce and Industry<br>Captain David Ralph Savy – Chairman of the Seychelles Civil Aviation Authority |
| Oversight Board | Suresh Kumar – Chairman of the Values Group<br>Abdul Wahab Al Halabi – Group Chief Investment Officer at Meeras Holdings<br>Obaid Al Zaabi – Director of Research & Development at Securities & Commodities Authority |
| Advisory Board | Khalid Al Malik – Group Chief Executive Officer of Dubai Properties Group<br>Kunal Bansal – Director and Partner at Vintage Bullion DMCC<br>Todd Betts – Group Chief Financial Officer at TECOM Investments<br>Faisal Mikou – Managing Partner of Arabica Investments |
| Shari'a Supervisory Board | Dr Mohamed Abdul Hakim Zoeir<br>Mian Muhammad Nazir<br>Moosa Tariq Khoory |
| Auditor | Ernst & Young |
| Valuers | Asteco Property Management LLC<br>CBRE DIFC Limited |
| Custodian | Deutsche Securities and Services, Dubai Branch<br>After listing: Shuaa Capital International Limited |
| Administration | Maples Fund Services (Middle East) Limited |
| Fee Structure | Pre Subscription Fee: Up to 5% of subscribed amount for subscription pre listing<br>Management Fee: 1.5% of REIT Gross Asset Value<br>Post Listing Performance Fee: After listing 3% of increase in NAV per share<br>Administration Fee: Sliding scale dependent on portfolio value (currently 0.05% of NAV)<br>Custodian Fee: Dependent on number of documents held, but marginal fee (currently USD 2,000 per month) |

(1) As at 30th April 2014

# Growth Dynamics
# NAV per Share Growth

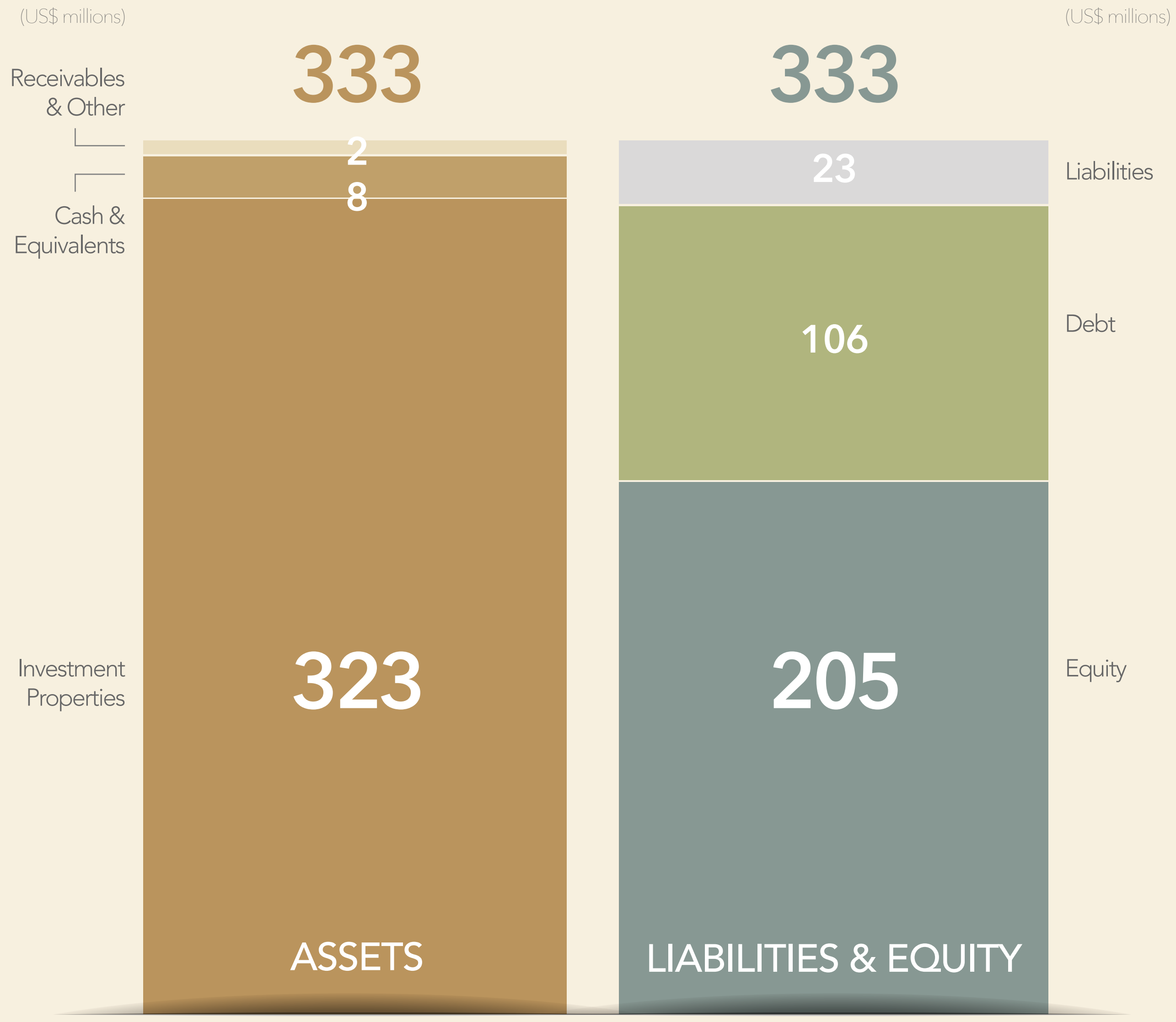



(1) NAV per Share as provided by Administrator calculated in accordance with Articles of Association not IFRS: growth rates adjusted for dividends (See REIT Performance Guide Page 60)

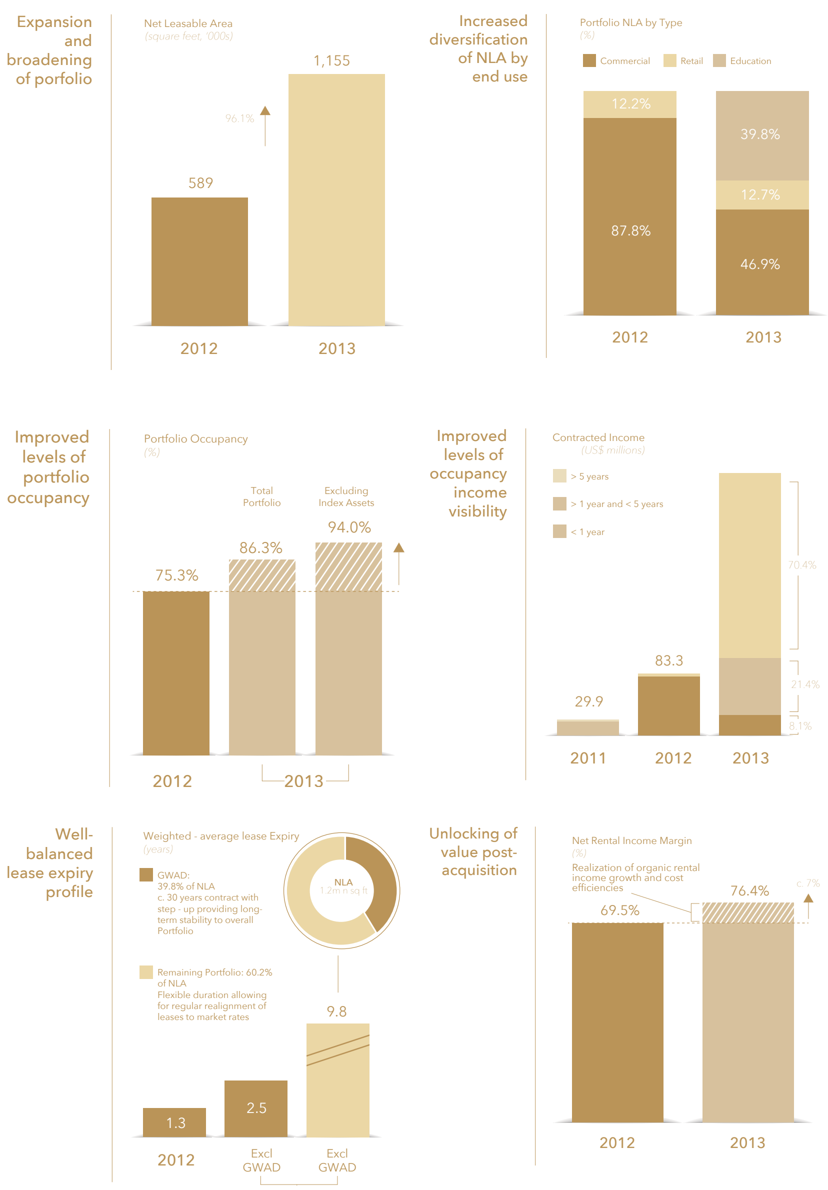


Emirates REIT (CEIC) Limited
Annual Report 2013

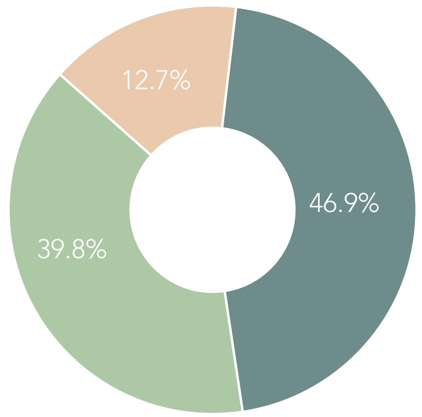
# Balance Sheet
(as at 31 December 2013)



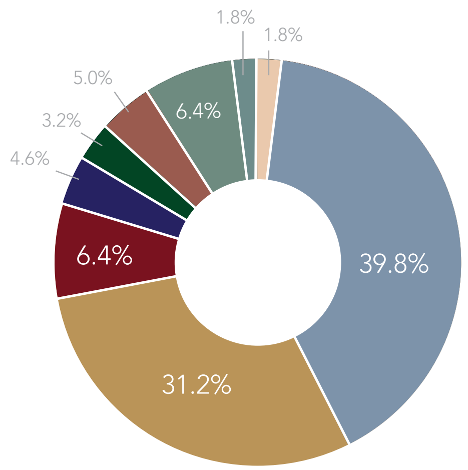

| Debt to Assets | Debt to Equity | Net Debt to Assets | Net Debt to Equity |
|---|---|---|---|
| 31.7% | 51.5% | 29.2% | 47.5% |



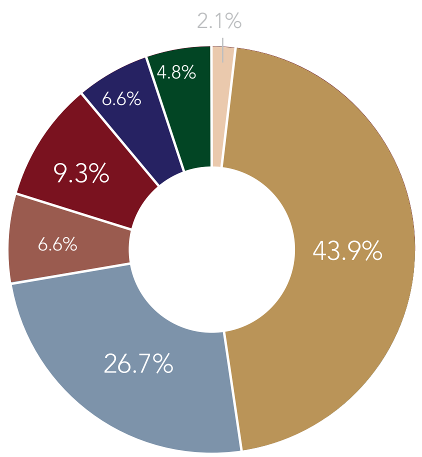

Valuation Of Total Portfolio, Split Per Unit




Income Per Property




Area Per Property




Commercial
Education
Retail

Office Park
Loft Office 1
Loft Office 2
Loft Office 3
Building 24
Index Tower R Retail
Index Tower C Office
Indigo 7
GEMS World Academy

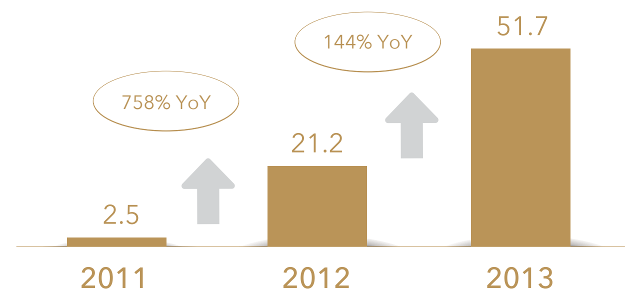
Office Park
Loft Office 1
Loft Office 2
Loft Office 3
Building 24
Indigo 7
GEMS World Academy



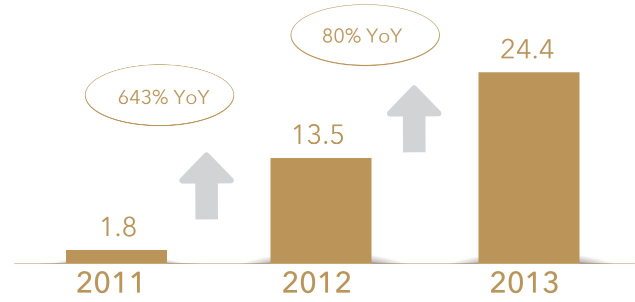


Dividend per Share *(US$ )*

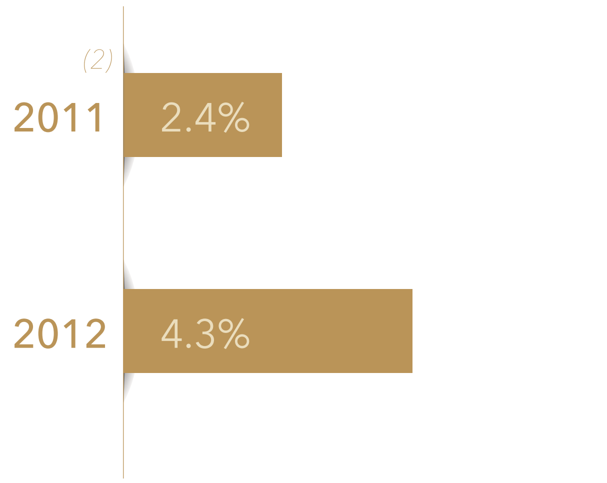

Total Income from Properties *(US$ millions)*



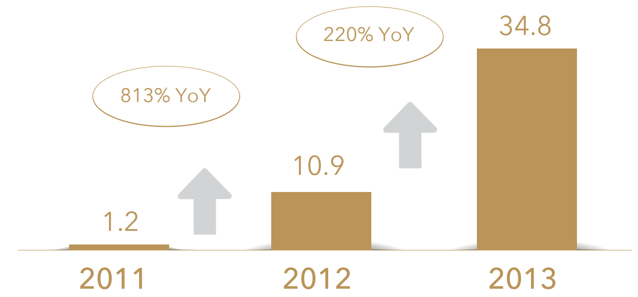

Rental Income (1) *(US$ millions)*




Dividend Yield *(US$ )*



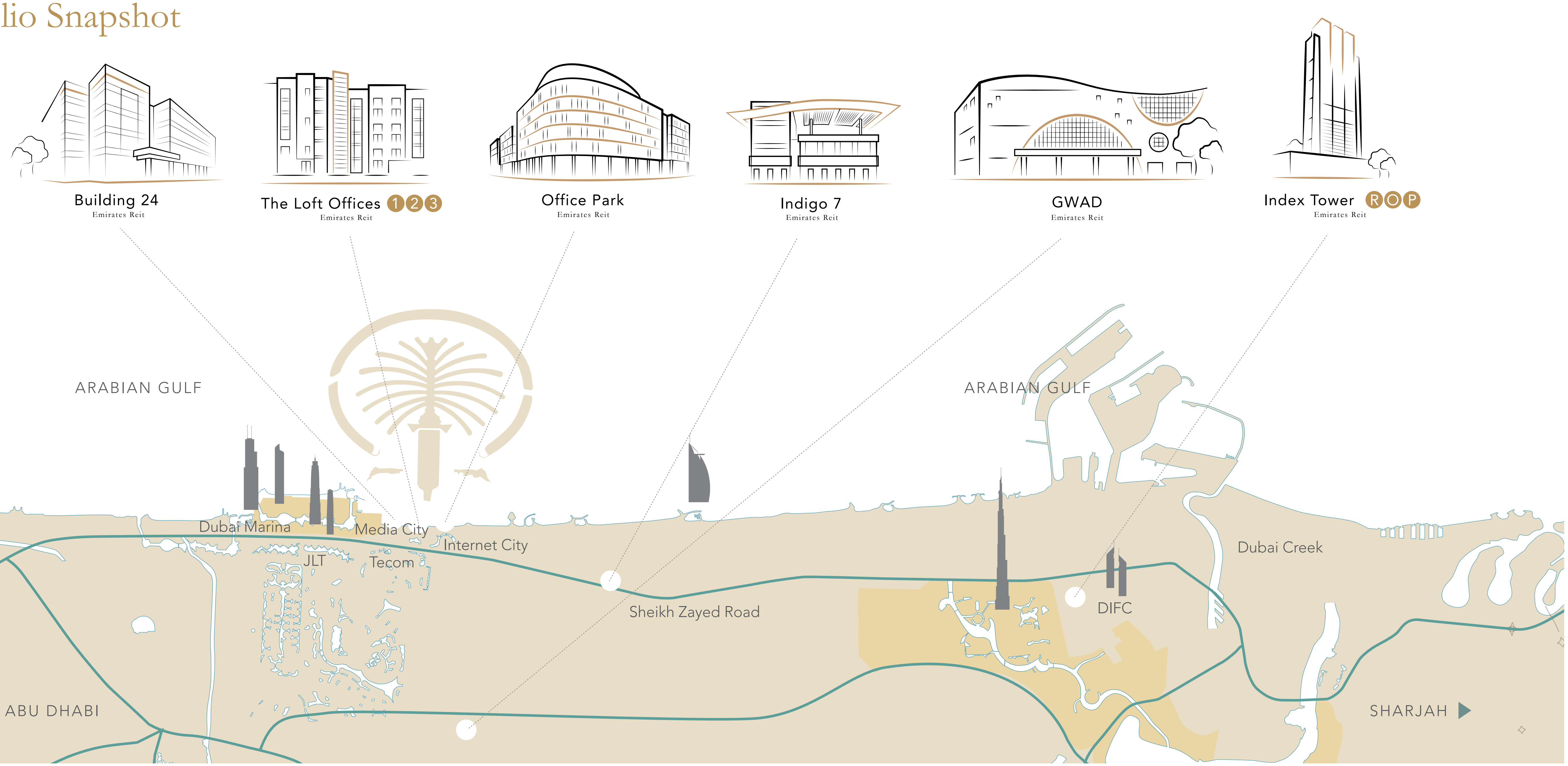

Net Profit *(US$ millions)*




(1) Includes service fee and other income.
(2) Represents divdend yield based on NAV per share at dividend ex-date.

Emirates REIT (CEIC) Limited
Annual Report 2013

# Exposure to Prime Assets in Dubai
# Portfolio Snapshot




**Number of Properties**
10

**Market Value of Properties**[1]
(US$ 323.1mn)
AED 1.2 bn

**Net Leasable Area**
c.1.2 mn sqft

**Portfolio Occupancy**[1]
Incl. Index Tower Assets: 86.3%
Excl. Index Tower Assets: 94.0%

**Gross Yield**[2]
Incl. Index Tower Assets: 9.1%
Excl. Index Tower Assets: 10.9%

(1) As at 31st December 2013
(2) Gross Yield based on passing income as at 31st December 2013 and market value of properties as at 31st December 2013

# PORTFOLIO IN DETAIL

Emirates REIT (CEIC) Limited
Annual Report 2013


# Building 24, Dubai Internet City

Low-rise building located in a prime area of Dubai Internet City – a well-established commercial district of new Dubai.

The property covers a land area of 41,036 ft2 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.

Aquisition date: **27 June 2011**

Title: **Freehold**

Asset Type: **Retail & Commercial**

Location: **Dubai Internet City**

Year of Completion: **2005**

Net Leasable Area: **57,335 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **1.8 years**

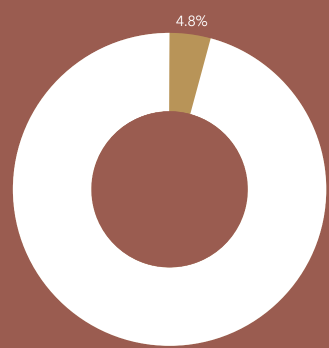
56.7m
Valuation (AED)

89.5%
Occupancy

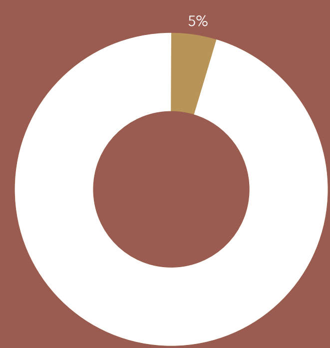
7.2m
Passing Income (AED)

As at 31st December 2013

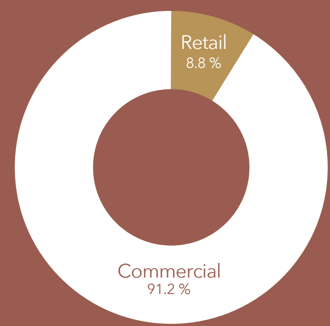
Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown



# Indigo 7, Sheikh Zayed Road

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 ft2.

Indigo 7 is currently anchored by one tenant operating two restaurants, Reem Al Bawadi and Crumbs.

Aquisition date: **25 September 2011**

Title: **Leasehold ending October 2038**

Asset Type: **Retail & Commercial**

Location: **Sheikh Zayed Road**

Year of Completion: **2009**

Net Leasable Area: **20,477 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **4.1 years**

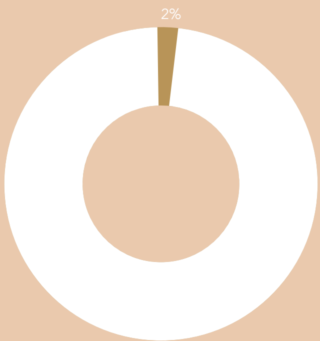
23.9m
Valuation (AED)

55%
Occupancy

2.3m
Passing Income (AED)

As at 31st December 2013

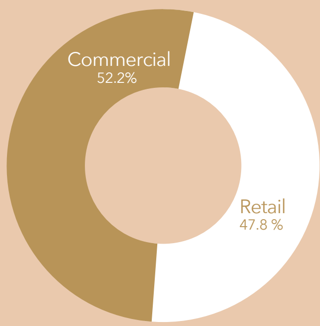
Share of Portfolio Value



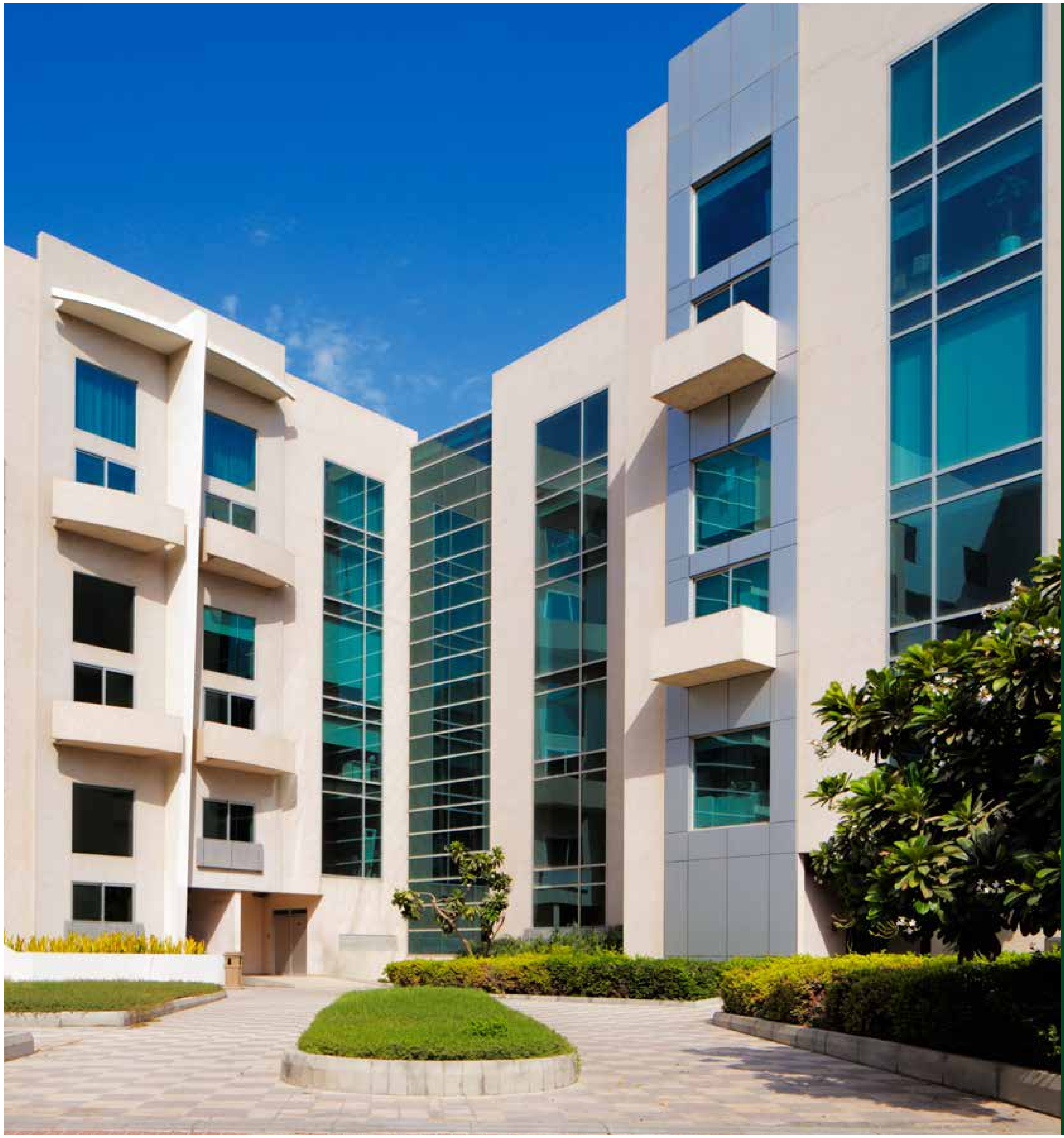

Share of Portfolio NLA




Area Breakdown




Emirates REIT (CEIC) Limited
Annual Report 2013



# The Loft Offices 1, Dubai Media City

One of a cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space in the central building.

The buildings are multi-let with various types of commercial and retail tenants. The buildings are of reinforced concrete extending over one basement level, ground and five upper floors.

The Loft Offices 1 cover a land plot area of 20,777 ft2.

Aquisition date: **8 December 2011**

Title: **Freehold**

Asset Type: **Commercial**

Location: **Dubai Media City**

Year of Completion: **2004**

Net Leasable Area: **36,668 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **1.1 years**

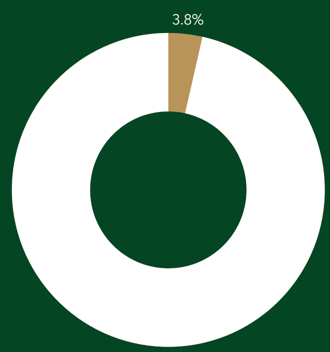
44.6m
Valuation (AED)

97.6%
Occupancy

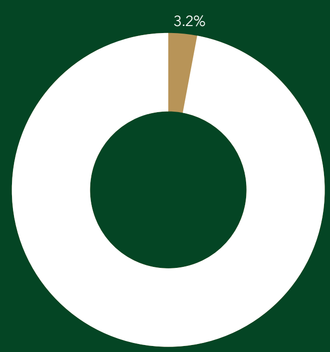
5.2m
Passing Income (AED)

As at 31st December 2013

Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown

# The Loft Offices 2, Dubai Media City

One of a cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space in the central building.

The buildings are multi-let with various types of commercial and retail tenants.

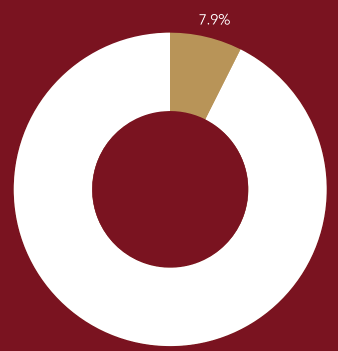
The buildings are of reinforced concrete extending over one basement level, ground and five upper floors.

The Loft Offices 2 cover a land plot area of 35,339 ft2.

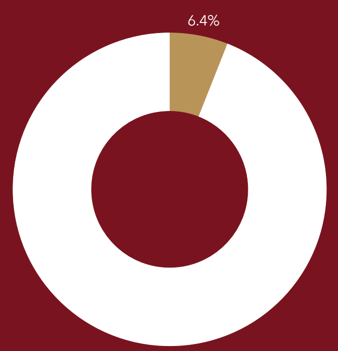
| | |
|---|---|
| Aquisition date: **8 December 2011** | 93.2m<br>Valuation (AED) |
| Title: **Freehold** | |
| Asset Type: **Retail & Commercial** | 91.1%<br>Occupancy |
| Location: **Dubai Media City** | |
| Year of Completion: **2004** | 10m<br>Passing Income (AED) |
| Net Leasable Area: **73,783 sq ft** | |
| WAULT (Weighted Average Unexpired Laese Term) **1.3 years** | |

As at 31st December 2013

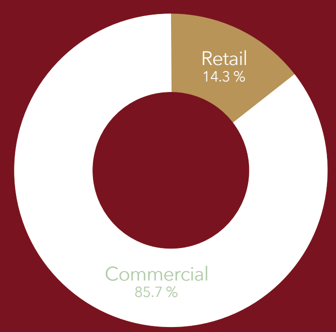
Share of Portfolio Value

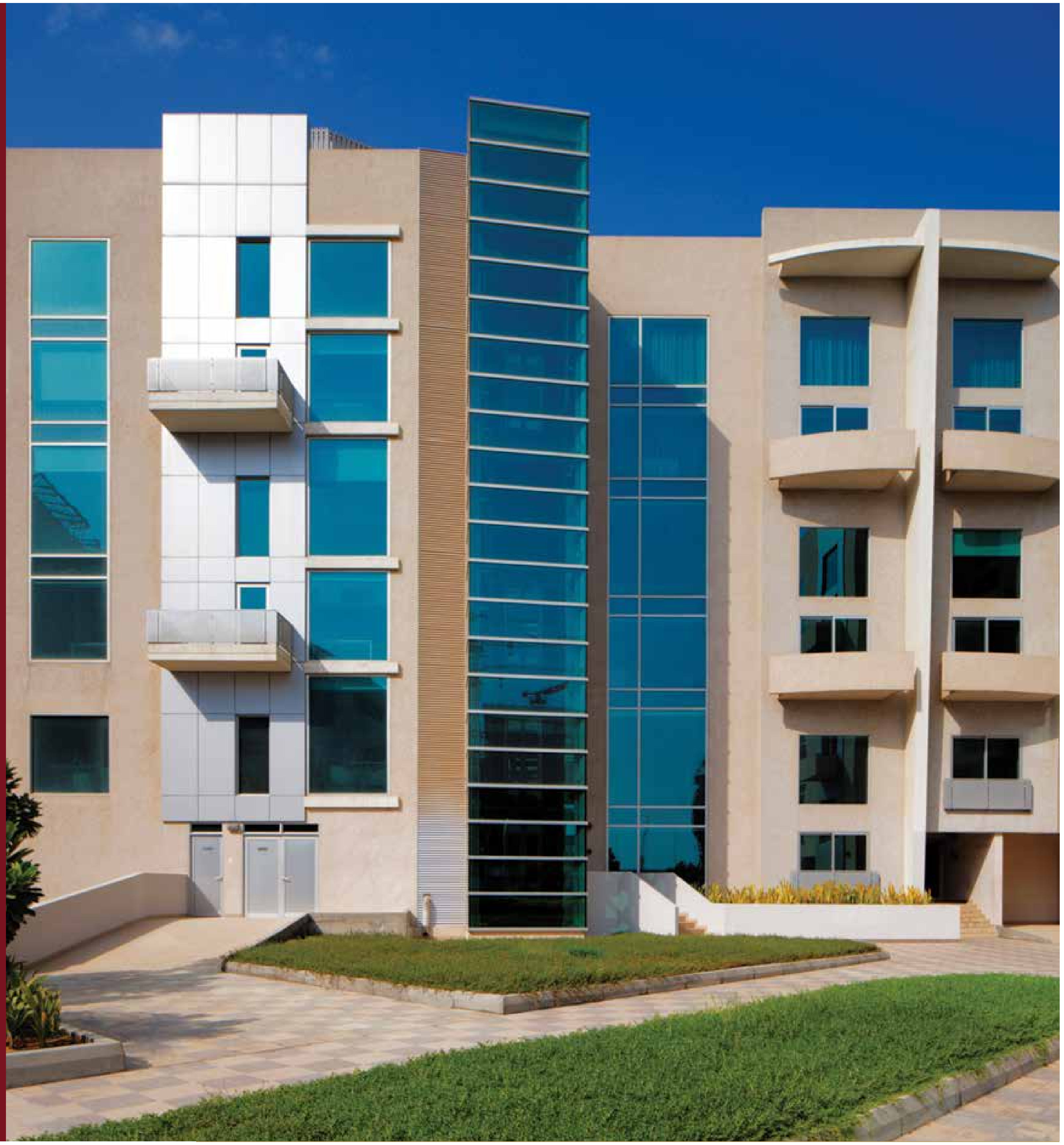



Share of Portfolio NLA




Area Breakdown



Emirates REIT (CEIC) Limited
Annual Report 2013

# The Loft Offices 3, Dubai Media City

One of a cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space in the central building.

The buildings are multi-let with various types of commercial and retail tenants.

The buildings are of reinforced concrete extending over one basement level, ground and five upper floors.

The Loft Offices 3 cover a land plot area of 26,679 ft2.

Aquisition date: **8 December 2011**

Title: **Freehold**

Asset Type: **Commercial**

Location: **Dubai Media City**

Year of Completion: **2004**

Net Leasable Area: **52,615 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **1.5 years**

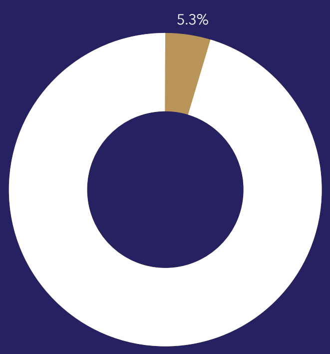
63.3m
Valuation (AED)

92.7%
Occupancy

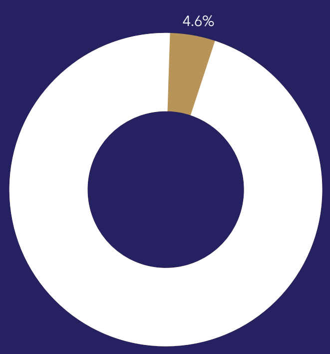
7.2m
Passing Income (AED)

As at 31st December 2013

Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown

Emirates REIT (CEIC) Limited
Annual Report 2013

# Office Park, Dubai Internet City

Located within Knowledge Village, a well-established commercial and education district in new Dubai.

Commercial building catering to office and retail tenants including a supermarket and other F&B tenants.

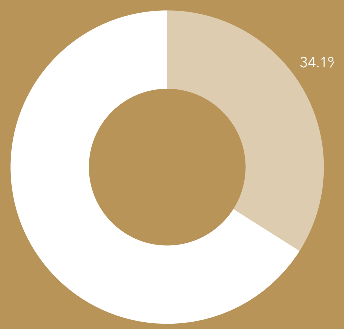
Property comprises an 'L' shaped plot of land on a site area of approximately 128,412 ft2.

The building was constructed in 2008 and is of reinforced concrete frame extending over two basement levels, ground, mezzanine, and seven upper floors.

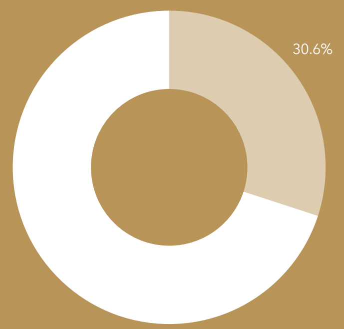
| | |
|---|---|
| Aquisition date: **19 June 2012** | 404.7m Valuation (AED) |
| Title: **Freehold** | |
| Asset Type: **Retail & Commercial** | 89.8% Occupancy |
| Location: **Dubai Internet City** | |
| Year of Completion: **2008** | |
| Net Leasable Area: **359,804 sq ft** | 47.6m Passing Income (AED) |
| WAULT (Weighted Average Unexpired Laese Term) **3.1 years** | |

As at 31st December 2013

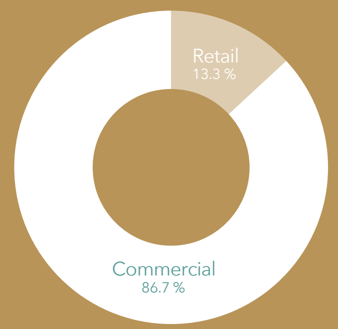
Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown




Emirates REIT (CEIC) Limited
Annual Report 2013

# Index Tower - Retail, Dubai International Financial Centre,

Index Tower is a mixed-use property located in the DIFC, a well-established commercial and retail district in Dubai.

Index Tower-Retail comprises 19 individual retail units located over ground, podium, and sky lobby levels.

Index Tower was newly completed in 2010 and covers a land area of approximately 215,319 ft2.

Currently, Index Tower-Retail is vacant.

Aquisition date: **7 May 2013**

Title: **Freehold**

Asset Type: **Retail**

Location: **Dubai International Financial Centre**

Year of Completion: **2010**

Net Leasable Area: **73,650 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **N/A**

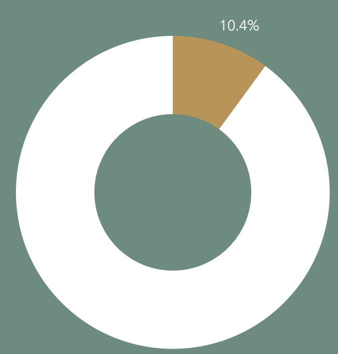
123.0m
Valuation (AED)

N/A
Occupancy

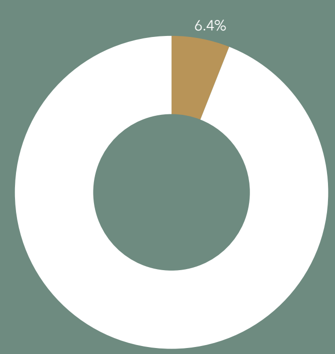
N/A
Passing Income (AED)

As at 31st December 2013

Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown

Emirates REIT (CEIC) Limited
Annual Report 2013

# Index Tower - Office Dubai International Financial Centre,

Index Tower is a mixed-use property located in the DIFC, a well-established commercial and retail district in Dubai.

Index Tower was newly completed in 2010 and covers a land area of approximately 215,319 ft2.

Index Tower-Office comprises Level 7 (Unit 701) of Index Tower which measures 20,752 ft2 of commercial office space.

Currently, Index Tower - Office is vacant.

Aquisition date: **18 December 2013**

Title: **Freehold**

Asset Type: **Commercial**

Location: **Dubai International Financial Centre**

Year of Completion: **2010**

Net Leasable Area: **20,752 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **N/A**

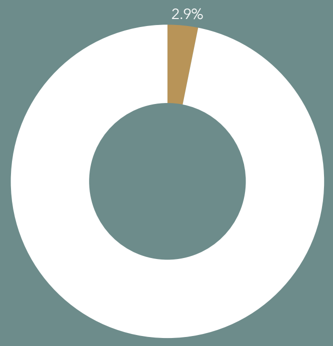
34.3m
Valuation (AED)

0%
Occupancy

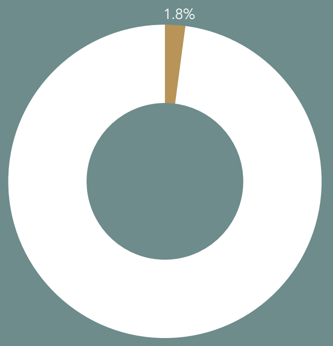
N/A
Passing Income (AED)

As at 31st December 2013

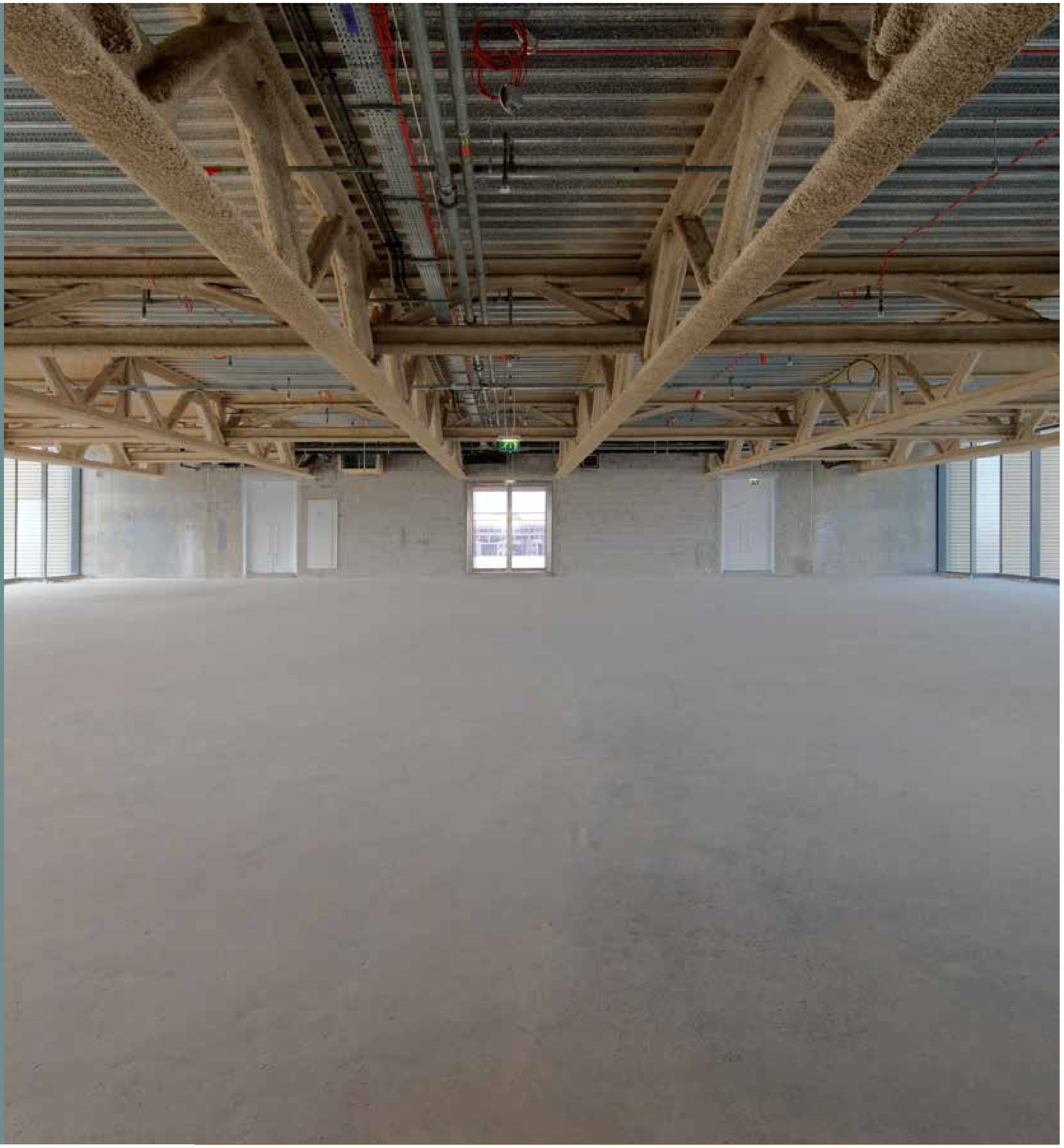
Share of Portfolio Value



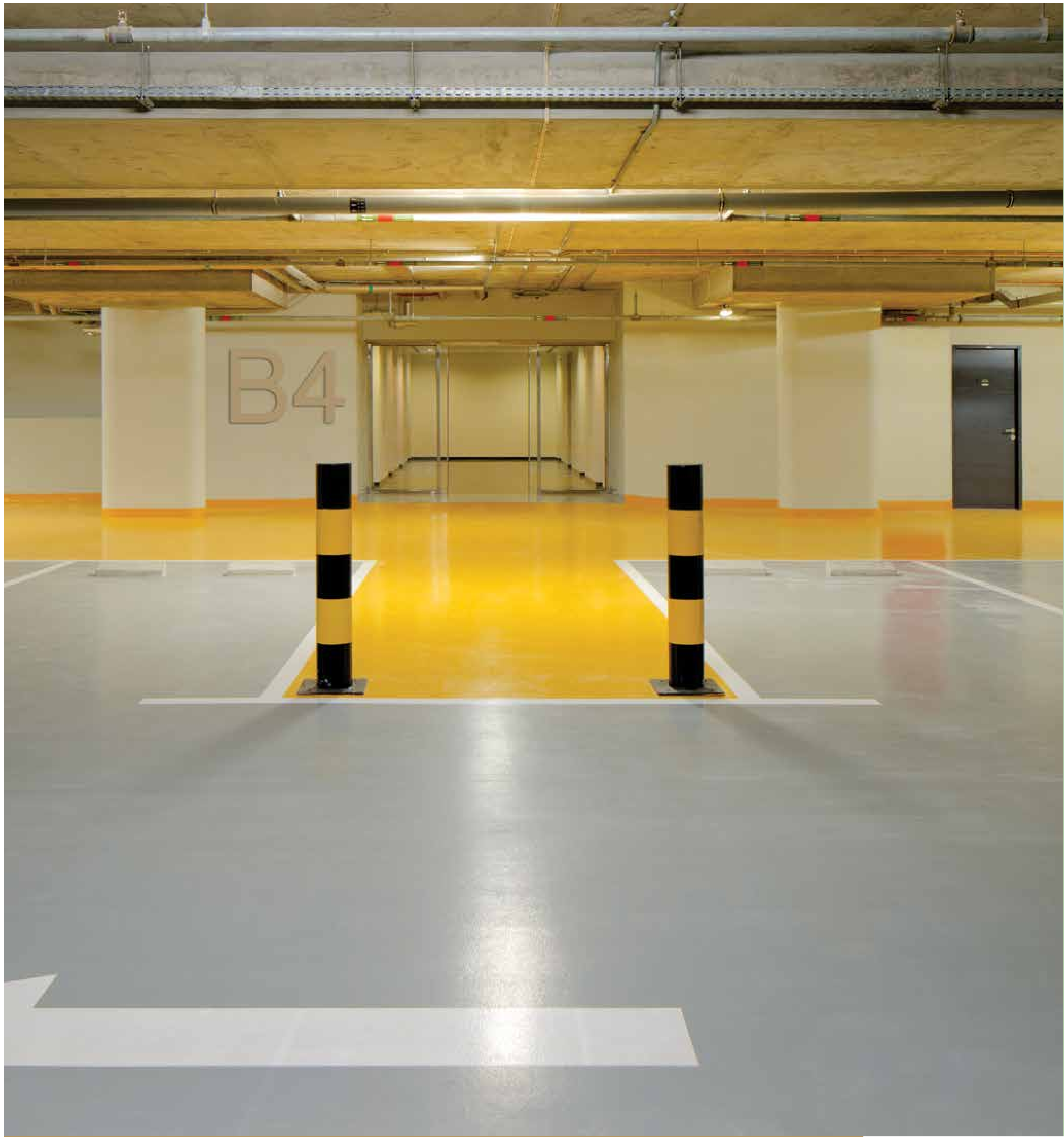

Share of Portfolio NLA




Area Breakdown

Emirates REIT (CEIC) Limited
Annual Report 2013




# Index Tower - Car Park, Dubai International Financial Centre,

Index Tower is a mixed-use property located in the DIFC, a well-established commercial and retail district in Dubai.

Index Tower was newly completed in 2010 and covers a land area of approximately 215,319 ft2.

Index Tower-Car Park comprises 491 car parking spaces at Index Tower.

Currently, Index Tower - Car Park is vacant.

Aquisition date: **18 December 2013**

Title: **Freehold**

Asset Type: **Car Park**

Location: **Dubai International Financial Centre**

Year of Completion: **2010**

Net Leasable Area: **N/A**

WAULT (Weighted Average Unexpired Laese Term) **N/A**

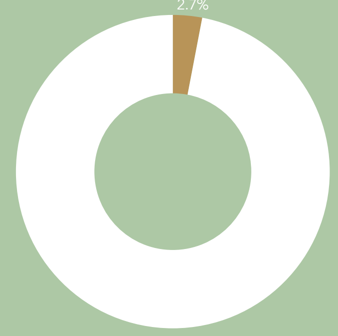
32.0m
Valuation (AED)

N/A
Occupancy

N/A
Passing Income (AED)

As at 31st December 2013

Share of Portfolio Value




Share of Portfolio NLA

N/A

Area Breakdown

Emirates REIT (CEIC) Limited
Annual Report 2013

# GEMS World Academy (GWAD), Al Barsha South

GWAD 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 ft2.

The building was constructed in the past five years and is of reinforced concrete frame construction and extends over ground and three upper floor levels.

GWAD is currently on a long-term lease to Premier Schools, operator of GWAD – a Pre-K to Grade 12 international school.

Aquisition date: **10 October 2013**

Title: **Leasehold**

Asset Type: **Education**

Location: **Al Barsha South**

Year of Completion: **2008 and 2012**

Net Leasable Area: **459,614 sq ft**

WAULT (Weighted Average Unexpired Laese Term) **29.8**

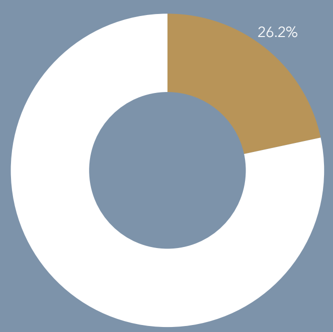
311.2m
Valuation (AED)

100%
Occupancy

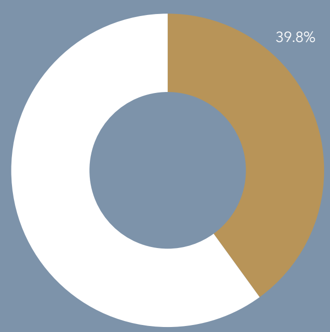
29.0 m
Passing Income (AED)

As at 31st December 2013

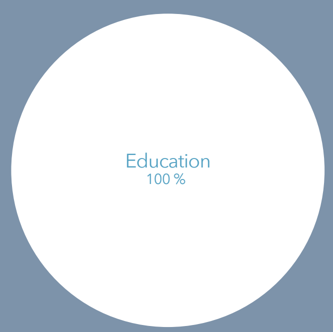
Share of Portfolio Value




Share of Portfolio NLA




Area Breakdown




# DIRECTOR'S REPORT

$100.82 $102.02 $102.80 $105.91 $107.27 $108.50 $105.32 $107.3

Emirates Reit

Abdulla Al Hamli

Chairman of Emirates REIT Management
and Managing Director of the Dubai Islamic Bank

## Dear Shareholders,

As I write, we have just completed Emirates REIT's IPO and the stock is now trading well on NASDAQ Dubai. We were delighted with the response from institutional investors both in the Gulf and in the UK and this led to the offer being 3.5 times oversubscribed. We raised gross proceeds of approximately US$175 million, which will primarily be used to fund future acquisition opportunities, and also invest in existing assets.

I would like to thank you for your support during this time and your continued interest in Emirates REIT. Our listing is the beginning of an exciting new chapter for the business and we look forward to your continuing support over the coming years.

2013 was an important year in the development of the REIT. The business achieved significant milestones and we were able to demonstrate strong returns giving us the confidence in the business and its future to launch the IPO.

For the year ended 2013 net asset value per share rose to US$137.8. Adjusted for dividends, this is equal to an increase of 25% since year-end 2012. Profit and total comprehensive income also rose significantly to US$34.8 million, up from US$10.9 million. The REIT expects to pay a final dividend for 2013 in June this year.





For the year ended 2013 net asset value per share rose to US$137.8. Adjusted for dividends, this is equal to an increase of 25% since year-end 2012.

Over the course of last year we made some important acquisitions: First, we made multiple investments in Index Tower; the iconic Foster + Partners building in the DIFC. The REIT completed the acquisition of the two storey retail podium, an important strategic asset, which will diversify the portfolio both in terms of asset class and location. Then Emirates REIT acquired 20,752 sq ft of office space in Index Tower and that same month entered into an agreement in December 2013 to acquire the freehold title of the Index Tower Car Park, which comprises 491 car parking spaces.

Second, in October 2013, the REIT bought its largest asset to date, the long-term leasehold interest in GEMS World Academy Dubai ('GWAD'), an education facility located in Al Barsha South. The property, with a total net leasable area of 459,614 sq ft, is occupied by Premier Schools International, operator of GEMS Education school facilities, based on a 30-year lease agreement expiring in 2043.

These acquisitions brought the total value of the assets portfolio to AED 1.2 billion at the year end. Working closely with our tenants, the occupancy of the overall portfolio as at the end of 2013 had increased from 75.3% at the end of 2012 to 94.0% (excluding the Index assets). The weighted unexpired lease term has also increased from 2.1 years in 2013 to 9.8 years by the end of 2013.

Looking ahead we are well positioned to grow the business with a strong market and a number of interesting acquisition opportunities. The current market conditions provide the opportunity to acquire attractive real estate assets at a competitive price. We have a strong and distinctive equity story which has attracted a high quality institutional investor base, and this will serve as a solid platform from which to start our journey as a publicly listed entity.

# Management Team

Management Board are responsible for guiding the REIT in their day to day operations and expanding and optimizing the Emirates REIT property portfolio.

**Abdulla Al Hamli** Chairman

Mr Abdullah Ali Obaid Al-Hamli serves as Managing Director of DIB. Mr Al-Hamli has been the Managing Director of DIB since July 2013. He served as the Chief Executive Officer of DIB from 22 September 2008 and served as its Executive Vice President of Business Services. Mr Al-Hamli served as Chief of Operations and Information Technology at DIB for nine years, following 16 years in progressively senior positions at leading public and private-sector organizations in Dubai, including more than a decade and a half as the Director of Information Systems at the Dubai Ports Authority and Jebel Ali Free Zone. Mr Al-Hamli has been the Chairman of Deyaar since July 2009. He has been the Chairman and Director at Tamweel PJSC since November 2010. He serves as a Director of DIB and Deyaar. He served as a Board Member of Injazat Technology Fund II, Injazat Technology Fund and Injazat Technology Fund E.C. and as a Director at Gulf Finance House BSC. He has completed various international professional development programs and holds a B.Sc. with majors in Economics and Mathematics from Al Ain University.

**Sylvain Vieujot** Executive Deputy Chairman

Mr Vieujot is the co-founder and Executive Deputy Chairman of the REIT Manager. He is also the Chairman of Eiffel Management Limited, Eiffel Holding and La Tréserorie Limited. Mr Vieujot moved to Dubai in 2005 and founded Eiffel Management Limited. In 2007, as CEO of Eiffel Holding, he transferred Eiffel Holding, the then holding company of "Société de la Tour Eiffel" - the first French newly listed REIT (SIIC) - from Luxembourg to the Dubai International Financial Centre. In 2010, Eiffel Management Limited together with DIB launched the REIT, the UAE's first real estate investment trust. Prior to his involvement in the REIT Manager, Mr Vieujot founded several companies, including Freelance.com and Plâtre.com. In 2005, Mr Vieujot listed Freelance.com on the French stock market (Alternext of Euronext). Mr Vieujot has a Masters in Entrepreneurship from HEC, Paris, France and is an Engineer in Computer Sciences, Micro-electronics and Electro Technology.





**Magali Mouquet** Executive Director - Investor Relations and Communication

Ms. Mouquet joined the board of the REIT Manager in October 2013 and is an Executive Director and a board member of the REIT Manager and a board member of Eiffel Management Limited. She oversees the investor relations, the communication & marketing and the human resources functions of the REIT Manager. Ms. Mouquet is the co-founder of Plâtre.com and Freelance.com S.A. She was a board member of Freelance.com when the company launched its IPO in 2005 on the French stock market (Alternext of Euronext). Ms. Mouquet has studied business management in the European Business School of Paris.

**Hannah Jeffery -** Senior Executive Officer

Ms. Jeffery is the Senior Executive Officer (SEO) of the REIT Manager. She is a qualified surveyor with over 10 years' experience in both regional and international property markets, as well as financing, structuring and capital market transactions. Ms. Jeffery was appointed SEO in 2012. In 2008, prior to joining the REIT Manager, Ms. Jeffery launched the Middle East business of the global real estate consultancy Cushman & Wakefield. She had previously completed her graduate training with their office in London. Ms. Jeffery has also worked as a ratings specialist for Standard and Poor›s in London, as part of the CMBS Structured Finance team, analysing commercial mortgage backed securitisation transactions across a range of European jurisdictions and asset classes. Ms. Jeffery holds an MSc in Economics, Finance and Management and a Bsc in Mathematics from the University of Bristol, United Kingdom. She also holds an Msc in Real Estate Investment from Cass Business School, United Kingdom and is a member of the Royal Institution of Chartered Surveyors.

**James Anderson** Chief Financial Officer

Mr Anderson joined the REIT Manager as chief financial officer in August 2013. Mr Anderson is a UK qualified chartered accountant and has over 19 years of experience in advising companies on IPO and capital markets transactions. Prior to joining the REIT Manager, Mr Anderson was a director at PricewaterhouseCoopers' ("PwC") Capital Markets and Accounting Advisory Services Group in the Middle East. Mr Anderson joined PwC in the Middle East in 2008 on a strategic secondment from the PwC UK Capital Markets team in London where he was a director advising on UK and international equity and debt transactions. Mr Anderson joined PwC as a Director in early 2006 from the UK Financial Services Authority where he had spent six years as part of the UK Listing Authority's management team. Mr Anderson trained as a UK chartered accountant with KPMG starting out in audit and investigation before specialising in corporate finance and transaction services. Mr Anderson holds a BSc in Biochemistry from the University of Liverpool, United Kingdom, is a member of the Institute of Chartered Accountants in England & Wales and a Fellow of the Chartered Institute for Securities & Investment.

# REIT Manager's Report

## REIT Manager's Annual Regulatory Report

Emirates REIT Management (Private) Limited (the "REIT Manager") is pleased to report a successful year of 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 with an initial focus on Dubai, but with subsequent exploration of other opportunities in other Emirates and other assets in the MENA Region in order to spread investment risk.

The principal objective of the REIT is to provide shareholders with: (i) a stable source of income through the consistent distribution of at least 80% of its audited annual net income (in accordance with the Collective Investment Rules of the DFSA, which is subject to the REIT having sufficient cash available to make such a distribution and the distribution being in compliance with all local laws (including but not limited to Article 49(2) of the Companies Law); and (ii) increased shareholder value through: (a) the potential capital appreciation of the properties within the portfolio; and (b) investment in property-related assets consisting of shares, debentures and warrants which are issued by companies whose substantial activities are investing in, developing or re-developing Real Property including, without limitation, other property funds and other real estate investment trusts and funds.

### Policy for Achieving Objectives

The REIT has implemented a range of policies for achieving it's Investment objectives. The REIT employs a disciplined acquisition strategy. The REIT will pursue Shari'a compliant acquisitions with the aim of enhancing the diversity of the REIT's asset base (geographically and by asset type) and improving the overall returns and income stability of the REIT.

Under the Constitution the requirements placed on the REIT as regards investments include:

a) 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. Such 40% limit may be exceeded when the REIT receives cash as a result of a disposal of assets or where the REIT receives cash as a result of a subscription for new shares or pursuant to any financing, re-financing or other similar arrangements whatsoever where the intention is to invest/re-invest such cash within six months of receipt or such longer period as is approved by a special resolution.

b) Potential Investments - After the REIT has assessed and approved a potential investment opportunity, it must prior to actual purchase, first of all 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.





The REIT to date, has not invested in any joint ventures and there are currently no proposals to do so but there is no policy against investing in a suitable joint venture within the limits set by the regulations which govern the REIT.

### The policy to date has been to concentrate on income producing properties having regard to factors such as:

- historic, current and projected rents from, and operating expenses of, the property;
- growth prospects, occupancy rates and tenant demand for the property itself as well as for those in properties in the same or nearby markets;
- quality and credit worthiness of the property's tenants;
- construction quality, physical condition and design of the building and
- prices of comparable properties as evidenced by recent arm's length market sales or as otherwise established.

The REIT also employs an active asset management strategy. The REIT's policy is to manage the properties in order to increase income and market valuations. The REIT works closely with its property managers with the aim of ensuring the optimisation of its portfolio in terms of occupancies and achievable rental income. This is achieved through a policy of regular monitoring of the performance of the properties, optimising the net leasable area of the properties through reconfigurations and employing a considered approach when reviewing contract terms for rental rates and property yields.

In order to maintain a strong financial position, the REIT seeks to adopt a prudent capital and financial management strategy in order to ensure access to funding while maintaining stable dividend distributions and achieving steady growth in net asset value per share.

The REIT has a policy in place for using Shari'a compliant sources of financing with long-term repayment schedules which the REIT Manager believes offers stability and predictability towards future cash flow management and provides additional capital which will ultimately improve shareholder returns. Such leverage, in accordance with current CIR rules is subject to a limit of 70% of the net asset value. The REIT also intends to maintain a strong capital structure with the aim of maintaining prudent balance sheet gearing levels to provide the REIT with the ability to finance future acquisitions. The REIT Manager will continue to consider a range of funding sources in an attempt to ensure diversity of its funding sources and the availability of funds to meet future capital requirements for property acquisitions.

## Property Acquisitions

In the 12 month period ended 31st December 2013, the REIT acquired investment properties for a total consideration of US$128.2 million, of which US$109.0 million was paid in cash and US$8.8 million was settled by issue of shares and the residual consideration of US$10.5 million remained outstanding as at the reporting date.

In total, four assets were acquired by the REIT during 2013. In May 2013, the REIT purchased a freehold interest in the Index Tower- Retail;Gems World Academy Dubai (GWAD) was acquired in October 2013, represented 39.8% of the REIT's total Portfolio's NLA and 26.7% of its total passing income as at 31 December 2013. In December 2013, the REIT entered into sale and purchase agreements in respect of the acquisition of two parts of Index Tower namely Index Tower-Office and

## Operational and Financial Review

Rental income for the 12 month period ended 31 December 2013 was US$22.34 million, an increase of US$9.98 million from the previous year. Service fee income increased to US$1.91 million for 2013, an increase of US$0.76 million (65.2%). Operating profit in the 12 month period ended 31 December 2013 amounted to US$38.67 million and included US$27.29 million of net unrealised gains on the revaluation of investment properties.

Property operating expenses increased by US$1.62 million (39.3%) to US$5.75 million during the 12 month period ended 31 December 2013. As at 31 December 2013, the REIT's total leverage represented 31.7% of gross assets and 51.5% of total equity which the REIT believes is in line with REITs in developed markets and the REIT expects to maintain a conservative loan to value ratio going forward as part of its financing strategy.

The REIT's net income and net asset value have been impacted by the unrealised gains/losses arising from the revaluation of investment properties. On 31 December 2013 the net asset value was US$ 205.06 million compared to US$ 143.76 million at 31 December 2012.

Dividends paid in 2013 relating to the year ended 31 December 2012 totaled US$6.34 million.

The REIT had four corporate Ijarah facilities including three with Emirates Islamic Bank and one with Ajman Bank. An Ijarah facility of US$22.0 million (AED 80.82 million) with Emirates Islamic Bank was drawn down in October 2013 and was used to help finance the acquisition of GWAD. An additional Ijarah facility of US$27.23 million (AED 100 million) with Ajman Bank was drawn down in October 2013, which was also used to help finance the purchase of GWAD.





## New Shares Issued

In 2013 the share capital of the REIT was increased by the issuance of the following Ordinary Shares:

| Date of Issuance | Number of Orindary Shares | Description |
|---|---|---|
| 31 January 2013 | 12,257 Shares | Issued to Dubai Islamic Bank ("DIB") by way of a dividend re-investment. |
| 30 June 2013 | 1,878 Shares | Issued to TECOM Investments by way of a dividend re-investment. |
| 30 June 2013 | 4,881 Shares | Issued to Dubai Properties LLC by way of a dividend re-investment. The 4,881 Shares were transferred to Dubai Properties Group on 10 February 2014. |
| 30 June 2013 | 45,497 Shares | Issued to Alsayed Abdulla Alsayed Mohamed Al Hashemi and were subscribed for in cash. |
| 30 September 2013 | 39,717 Shares | Issued to Singapore Enterprises Private Limited and were subscribed for in cash. |
| 31 October 2013 | 7,471 Shares | Issued to a Private Investor and were subscribed by the Private Investor in cash. |
| 31 October 2013 | 51,811 Shares | Issued to Emirates NBD Bank and were subscribed for in cash on behalf of other investors. |
| 31 October 2013 | 8,965 Shares | Issued to a Private Investor and were subscribed for in cash. |
| 20 November 2013 | 16,929 Shares | Issued to Emirates NBD Bank and were subscribed for in cash on behalf of other investors; |
| 18 December 2013 | 64,095 Shares | Issued to EFG Hermes Holding SAE as consideration for the acquisition of a freehold interest by the REIT in Index Tower-Office |

## 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 to oversee the activities of the REIT Manager; (ii) an Investment Board comprising qualified experts to review and confirm it has no objection to prospective investment opportunities proposed by the REIT Manager; (iii), a Shari'a Supervisory Board whose purpose is to ensure compliance by the REIT with Shari'a principles; and (iv) an Advisory Board to provide expert advice and assistance to the REIT Manager as needed.

## Management Board

In 2013, the Management Board of the REIT comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman), Mr. Mohamed Al Sharif, Mr. Adnan Chilwan and Mr. Mark Inch.

In October 2013, Mr. Adnan Chilwan and Mr. Mohamed Al Sharif stepped down from the Board. Ms. Magali Mouquet (Executive Director) and Mr. Mohamed Al Nahdi was appointed in their place.

## Oversight Board

The Oversight Board of Mr. Obaid Al Zaabi, Mr. Gilles Rollet and Mr. Suresh Kumar were re-appointed on 31st January 2013 for a further year. In April 2013, Mr. Gilles Rollet resigned from the Oversight Board. The vacancy was filled by the appointment of Mr. Abdul Wahab Al-Halabi in June, which was approved by the REIT Manager.

## Investment Board

On 31st January 2013, shareholders approved the re-appointment of Mr. Abdulla Majed Al Ghurair, Mr. Marwan Bin Ghulaita and Mr. David Savy as members of the Investment Board for a further year. In June 2013, Mr. Adbulla Majed Al Ghurair resigned from the Investment Board. The vacancy was filled by the appointment of Mr. Iskandar Safa in July, which was approved by the REIT Manager.

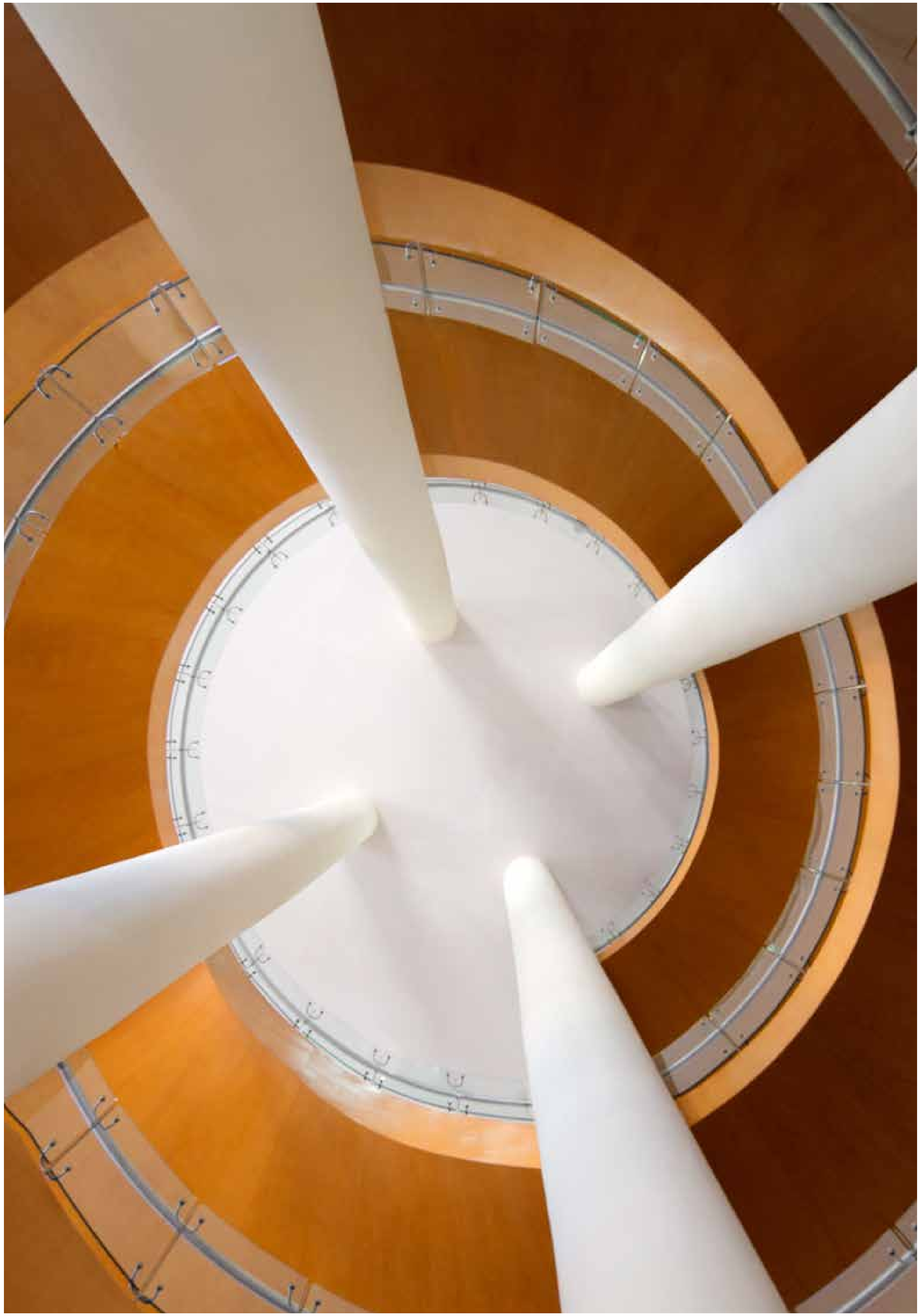
## Shari'a Supervisory Board

On 31st January 2013, shareholders approved the reappointment of Dr. Mohamed Adbul Hakim Zoeir, Mr. Mian Mohammed Nazir, and Mr. Hussain Hamed Hassan to the Shari›a Supervisory Board for a further year.

## Advisory Board

In January 2013, the Shareholders approved the constitution of an advisory group to the Board to be known as the "Advisory Board", initially comprising of Mr. Anirudha Damkey (TECOM Investments FZ LLC), Mr. Khalid Al Malik (Dubai Properties LLC) and Mr. Kunal Bansal (Vintage Buillion DMCC ).

In May 2013, Mr. Todd Betts, Chief Financial Officer at TECOM Investments FZ LLC was appointed to the Advisory Board following the resignation of Mr. Anirudha Damkey. A fourth member, Mr. Faisal Mikou, the Managing Partner of Arabica Investments, was appointed to the Advisory Board in November 2013.



# Matters Approved by Shareholders

## Financing Arrangements

In November 2013, the REIT agreed a US$13.62 million (AED 50 million) Musharaka facility with DIB. This was subject to Shareholder approval due to this being a related party transaction. No funds have been drawn down under the Musharaka Facility to date and any such draw down is conditional upon the completion of the Musharaka documentation and related security arrangements under which a first degree registered mortgage and assignment of rental income and comprehensive insurance in relation to Building 24 and Indigo 7 will be required. The Musharaka Facility may only be drawn down prior to 13 May 2014.

## Dividend Payment

Dividends paid in 2013 relating to the year ended 31 December 2012 totaled US$6.34 million of which US$2.18 million was taken as shares. Shareholders approved two dividend payments: (i) an Interim dividend of US$3.00 per share on 31st January 2013 at a total cost of US$3,789,000; and (ii) a further dividend of US$ 2.00 per was approved on 25th June 2013 at a total cost of US$ 2,550,000.

## Amendment to the Articles of Association

In January 2013, shareholders approved the adoption of new Articles of Association for the REIT. Key changes included:

- The renaming of the "A" and "B" shares to "Manager" and "Investor" shares respectively. Subsequently, on 26th January 2014, the "Investor" shares were re-named as "Ordinary" shares.
- Changes to the process for alteration of share capital and subscription for shares to bring the practices in line with requirements for a public fund.
- A reduction in the minimum number of directors of the REIT from four to one, to improve the overall efficiency of the REIT and bring the corporate governance practice in line with modern custom.
- Delegation to the REIT Manager as a Director, such that the powers of the Board may be delegated to any committee of directors or just to the REIT Manager Director.
- Clarification of the election process for the Investment Board such that the board must be nominated by the REIT Manager and elected by Shareholders every 12 months.
- New provisions in relation to director's interests such that any director who has a direct or indirect conflict with the interests of the REIT would be be required to declare it and any such conflict must be authorised by the Board.
- Number of housekeeping changes (deletion of matters not required to be in the Articles of Association, and the removal of references to the prospectus).

In June 2013 the shareholders approved an amendment to the Articles of Association to enforce an independence to the Investment Board, whereby in order to be eligible for election to the Investment Board, the individual must be independent of the REIT Manager and any shareholder.





# Matters brought to the Shareholders attention

In February 2013, the REIT was granted a Ruler's Decree, which was issued by His Highness Sheikh Mohammed Bin Rashed Al Maktoum, Ruler of Dubai. The Ruler's Decree permits the REIT through the Onshore Dubai Branch to acquire and own properties in Onshore Dubai. Pursuant to Law 7 of 2006 (and subsequent regulations implementing it) non-GCC nationals and companies wholly or partly owned by non-UAE/GCC nationals (such as the REIT), are only permitted to own property in certain designated geographical areas and free zone areas in the Emirate of Dubai.

## Post Year End Events

During the first quarter of 2014, a number of year end date events have occurred that should be bought to the attention of the shareholders.

A Shareholders meeting was held on 26th January 2014, in the lead up to the listing of Emirates REIT on NASDAQ Dubai. Key Resolutions passed at this meeting included:

- The adoption of new Articles of Association of the REIT in preparation for the public listing. Under the new Articles of Association, the REIT will change the NAV calculation to follow IFRS accounting policies from 31 January 2014. Therefore, the NAV per Share will represent the total equity of the REIT (as per IFRS accounting) divided by the total number of Shares outstanding at that date.
- The nominal value of the shares was sub-divided and, as a result, the REIT's issued share capital changed from 1,516,426 shares and one Manager share with a nominal value of US$100 per share to 151,642,600 shares with a nominal value of US$1 per share and one Manager share which retained a nominal value of US$100. The impact of the share sub-division on the previously reported NAV per share is to divide by a factor of 100.
- Changes to the Governing Body Committees; the appointment of Hamad Buamim to the Investment Committee in place of Iskandar Safa and the appointment of Moosa Tariq Khoory in place of Dr. Hussain Hamad Hassan on the Shari'a Supervisory Board.
- The approval to proceed with the listing application for the admission of Emirates REIT shares on the Official List of the DFSA and to trading on NASDAQ Dubai.

In March 2014, Shareholders approved that they are subject to a lock-in of at least six months' duration following the date of listing of the REIT as outlined below;

(i) Shares issued in 2013 are subject to a lock-in arrangement for a period of six months from the date of admission, with such number of shares amounting to 9.0% of the issued share capital of the REIT at admission; and

(ii) Shares issued prior to 31 December 2012 are subject to a further lock-in arrangement of six month (a total of 12 months from the date of admission) with such number of shares amounting to 45.1% of the issued share capital of the REIT at admission.

Mr. Mohamed Al-Nahdi, a non executive director of the REIT Manager resigned on 5 March 2014.

SHUAA Capital International Ltd. has been appointed as the Custodian of the Portfolio by the REIT Manager in place of Deutsche Securities Services, Dubai Branch, SHUAA Capital International Ltd. is required to hold in safe custody all Title Documents provided to the Custodian. NASDAQ Dubai has been appointed the Registrar for the listing.

An application was made to the DFSA for the shares to be admitted to the Official List of Securities and application was made to NASDAQ Dubai for the shares to be admitted to trading on NASDAQ Dubai under the symbol "REIT". Both applications were approved and 280,319,071 were admitted to trading and the Official List on 8th April 2014.

Abulla Al Hamli | Sylvain Vieujot | Magali Mouquet | Mark Inch

April 2014

# REIT's Performance Guidance

From the date of incorporation of the REIT (28 November 2010) to 31 December 2013, the NAV per Share has been calculated in accordance with the REIT's previous articles of association ("Initial Articles") (prior to the Articles of Association adopted on 26 January 2014) and the basis of calculating NAV per Share was different from the basis on which the REIT currently prepares its Financial Statements under IFRS (as well as previously under AAOIFI). Following the adoption of the Articles, the REIT will change the NAV calculation to follow IFRS accounting policies from 31 January 2014. Therefore, the NAV per Share will represent the total equity of the REIT (as per IFRS accounting) divided by the total number of Shares outstanding at that date.

## Differences between NAV Calculation Methodology

The following are the principal differences in the method of calculation of NAV per Share using (i) IFRS methodology and (ii) the methodology used by the Fund in accordance with the Initial Articles until 31 December 2013 prior to applying IFRS:

- The costs associated with the acquisition of any asset were previously treated for the purposes of the NAV calculation as being amortised over a period of five years from the date of acquisition. Under IFRS, asset costs are capitalised and the carrying value of such assets is at fair value with the resultant gain or loss being takento the comprehensive statement of income.
- Under the Initial Articles, the NAV calculation for the Fund recognised revenue from tenant leases on a cash basis. Under IFRS the rental income over the lease term is accounted for on a straight line basis after spreading the cost of lease incentives (such as rent free periods) and any fixed rental increases.
- Under the Initial Articles, the Performance Fees payable to the Fund Manager upon Admission were not reflected in the NAV per Share calculation whereas a provision for the Performance Fees is taken under IFRS.

Historically, the differences in NAV per Share arising from the differing basis for calculating the NAV per Share of the Fund between the Initial Articles and IFRS has been relatively minor, as set out in the following table:

## Calculated NAV per Share as per Initial Articles and IFRS (US$)

| | Calculated NAV per Share as per | | Difference | |
|---|---|---|---|---|
| Balance Sheet Date | Initial Articles | IFRS | US$ | % |
| 31 December 2011 | 105.27 | 104.54 | (0.73) | -0.7% |
| 31 December 2012 | 114.25 | 113.83 | (0.42) | -0.4% |
| 31 December 2013 | 137.80 | 135.22 | (2.60) | -1.9% |





# REIT's Performance

## Comparative Performance Table – Year-End Net Asset Value (as per audited IFRS financial statements)

| Amounts in US$ | 31 Dec 2011* | 31 Dec 2012 | 31 Dec 2013 |
|---|---|---|---|
| Total Net Asset Value | 47,180,362 | 143,761,924 | 205,058,188 |
| No. of Manager Shares | 1 | 1 | 1 |
| No. of Ordinary Shares | 451,318 | 1,262,925 | 1,516,426 |
| Total No. of Shares | 451,319 | 1,262,926 | 1,516,427 |
| Net Asset Value Per Share – Manager Share | 104.54 | 113.83 | 135.22 |
| Net Asset Value Per Share – Ordinary Shares | 104.54 | 113.83 | 135.22 |

* The first audited accounts covered the period from 28th November 2010 (the date of incorporation) to 31st December 2011. Investor shares were initially issued at the par value of US$100 to the first subscriber on 1st July 2011.

On 26 January 2014, the nominal value of the Shares was sub-divided and, as a result, the REIT's issued share capital changed from 1,516,426 Shares and one Manager Share with a nominal value of US$100 per Share to 151,642,600 Shares with a nominal value of US$1 per Share and one Manager Share which retained a nominal value of US$100. The impact of the Share sub-division on the NAV per Share shown above is to divide a factor of 100.

## Dividend Information

The following table sets out information regarding final and interim dividends declared and paid by the REIT in respect of the 13 month period ended 31 December 2011 and the 12 month period ended 31 December 2012:

| Type of dividend and relevant financial year | Number of shares outstanding at dividend ex-date | Dividend/ (US$ '000s) | Dividend/ Share (US$) | Ex-date |
|---|---|---|---|---|
| Final dividend for 2011 | 451,319 | 1,151 | US$2.55 | 19 June 2012 |
| Interim dividend for 2012 | 1,262,926 | 3,789 | US$3.00 | 31 January 2013 |
| Final dividend for 2012 | 1,275,182 | 2,550 | US$2.00 | 30 June 2013 |

# Financial Highlights

The following section sets out selected IFRS financial information highlights for the REIT as at and for the 12 month periods ended 31 December 2013 and 31 December 2012. This information has been extracted without material adjustment from the audited financial statements of the REIT set out within this report at Financial Statements section.

# Income Statement Highlights

| | For the 12 months ended 31 December 2013 US$'000 | For the 12 months ended 31 December 2012 US$'000 |
|---|---|---|
| Net Property Income | | |
| Property Income | 24,421 | 13,544 |
| Property Operating Expenses | (5,755) | (4,130) |
| Net unrealised Gain on Revaluation | 27,286 | 7,615 |
| Net Property Income | **45,952** | **17,029** |
| Profit and total comprehensive income | | |
| Operating Profit | 38,672 | 13,807 |
| Net Finance Cost | (3,826) | (2,912) |
| Profit and total comprehensive income | **34,846** | **10,895** |
| Basic earnings per share (US$)* | 0.26 | 0.15 |

*The basic earnings per share shown above has been calculated by dividing profit and total comprehensive income for the period by the weighted average number of Shares outstanding during the period as adjusted (in accordance with IFRS), for the sub-division of the Shares on 26 January 2014 following which the nominal value of the Shares was reduced and the number of Shares were increased, by a factor of 100.

# Property Income

Total property income which comprises rental income, service fee income and other property related income increased by US$10.88 million (80.3%) to US$24.42 million for the 12 months ended 31 December 2013. The increase was primarily due to the full contribution from Office Park which was operational for 12 months during the 12 month period ended 31 December 2013 compared to approximately 6.4 months during the 12 month period ended 31 December 2012, as well as the recognition of approximately two and a half months of rental income from Gems World Academy ("GWAD") which was acquired in October 2013.





# Property Operating Expenses

Property operating expenses generally consist of utilities expenses, property management fees, facility management fees, and other expenses incurred in operating the REITs investment properties (the "Properties"). Total property operating expenses increased by US$1.62 million (39.3%) to US$5.75 million during the 12 month period ended 31 December 2013 from US$4.13 million during the 12 month period ended 31 December 2012. The principal factors affecting the increase in property operating expenses was the increase in the number of Properties in the portfolio from six Properties with a total NLA of 588,752 square feet as at 31 December 2012 to 10 Properties with a total NLA of approximately 1.15 million square feet as at 31 December 2013. Property operating expenses as a percentage of total income declined to 23.6% during the 12 month period ended 31 December 2013 compared to 30.5% during the 12 month period ended 31 December 2012. The decline in property operating expenses as a percentage of total income is the result of the implementation of numerous operating improvements at the Properties resulting in the realization of operating cost efficiencies, as well as the impact of rental income from GWAD which, given the terms of the contract in place, results in the property operating costs with respect to that Property being borne by the tenant.

# Net Property Income

The Net Property Income comprises the Property Income less the Property Operating Expenses plus the Net Valuation Gains. The value of the investment properties is determined by the REIT's independent valuers. Valuations are mainly undertaken using discounted cash flow techniques and changes in valuations during the period under review have largely been driven by changes in occupancy and rental income levels over the period rather than the compression of yields. Net revaluation gains in the 12 month period ended 31 December 2013 amounted to US$27.29 million (2012: US$7.62 million).

# Operating Profit

Operating profit is arrived at after deducting all other REIT expenses from net property income. These expenses include inter alia, REIT manager and performance fees, general and administrative expenses and in 2013, IPO costs. Operating profit in the 12 month period ended 31 December 2013 amounted to US$38.67 million (2012: US$13.81 million) and included US$27.29 million (2012: US$7.62 million) of net unrealised gains on the revaluation of investment properties. Excluding net unrealised gains on the revaluation of investment properties, operating profit represented 45.7% and 46.6% of total property income during the 12 month period ended 31 December 2012 and 2013, respectively. The improvement in operating profit margins (excluding the net unrealised gains on the revaluation of investment properties) was the result of the reduction in property expenses as a percentage of total income offset by IPO costs of US$0.70 million (representing 2.9% of total property income) recorded in the 12 month period ended 31 December 2013.

# Net Finance Costs

As at 31 December 2013, the REIT had four corporate Ijarah facilities including three with Emirates Islamic Bank and one with Ajman Bank . Variable rent is charged on the Ijarah facilities and calculated at a profit rate of three month EIBOR + 3.0% per annum with a minimum profit rate of 5.5% per annum. Prior to 31 December 2012, variable rent in relation to the two original Emirates Islamic Bank facilities was charged at the profit rate of three month EIBOR + 3.0% per annum with a minimum profit rate of 6.5% per annum. In the 12 month period ended 31 December 2013, rent on Ijarah facilities amounted to US$4.02 million, growing by US$1.10 million or 37.5% from US$2.93 million in the 12 month period ended 31 December 2012. The increase in rent on Ijarah facilities reflects the increase in the average outstanding Ijarah facilities during the 12 month period ended 31 December 2013 compared to the corresponding period a year earlier.

Finance income, which comprised of profit on bank deposits for the 12 month period ended 31 December 2013 totaled US$0.20 million ( 2012:US$0.02 million).

# Financial Position

| | As at 31 December 2013 US$'000 | As at 31 December 2012 US$'000 |
|---|---|---|
| Investment Properties | 323,131 | 167,601 |
| Receivables, prepayments & other assets | 1,934 | 1,374 |
| Bank balances and cash | 8,145 | 43,594 |
| Total Assets | 333,210 | 212,570 |
| Accounts payable and other Current liabilities | (22,589) | (7,120) |
| Current portion of Corporate ijarah | (9,173) | (5,038) |
| Non-Current portion of corporate ijarah | (96,390) | (56,650) |
| Total ijarah | (105,563) | (61,688) |
| Total liabilities | (128,152) | (68,808) |
| Net assets | 205,058 | 143,762 |
| Loan to net assets | 51.5% | 42.9% |
| Loan to gross assets | 31.7% | 29.0% |





# Investment Properties

Investments properties are stated at fair value, which has been determined based on valuations performed by independent certified property valuers as at 31 December 2013. As a result of the valuations carried out, the fair value of the properties as of 31 December 2013 was determined to be US$ 323,131 million (2012: US$ 167,601 million).

In the 12 month period ended 31 December 2013, the REIT acquired investment properties for a total consideration of US$128.2 million (2012: US$91.7milion), of which US$109.0 million (2012: US$60.9 million) was paid in cash and US$8.8 million (2012: US$30.8 million) was settled by issue of Shares and the residual consideration of US$10.5 million (2012: Nil) remained outstanding as at the 31 December 2013 reporting date. Other movement in investment properties comprised net unrealised gains on the revaluation for the 12 months ended 31 December 2013 of US$27.29 million (2012: US$ 7.62 million).

# Corporate Ijarah

All financing transactions entered into by the REIT are Shari'a compliant. Corporate Ijarah facilities have been obtained to part finance the acquisition of three of the investment properties, the Loft Offices, Office Park and GWAD.

As at 31 December 2013, the outstanding indebtedness of the REIT amounted to US$105.56 million (2012: US$61.69 million) which represented 51.5% (2012: 42.9%)  of the net asset value. During the year, the REIT entered into new corporate Ijarah facilities amounting to US$ 49.23 million (AED 180.82 million) which were used to part fund the acquisition of GWAD.

# Cash Flow

| | As at 31 December 2013 US$'000 | As at 31 December 2012 US$'000 |
|---|---|---|
| Net cash from operating activities | 15,226 | 11,855 |
| Investing activities | (108,820) | (60,896) |
| Financing activities | 58,145 | 92,089 |
| Net (decrease)/ increase in cash and cash equivalents | (35,449) | 43,048 |

# Net cash from operating activities

Cash generated from operating activities increased by US$3.37 million (28.4%) to US$15.23 million in the 12 month period ended 31 December 2013 from US$11.86 million in the 12 month period ended 31 December 2012. The increase in cash flow from operating activities is primarily a result of the increase in operating profit for the period as the size of the REIT's Portfolio grew in scale.

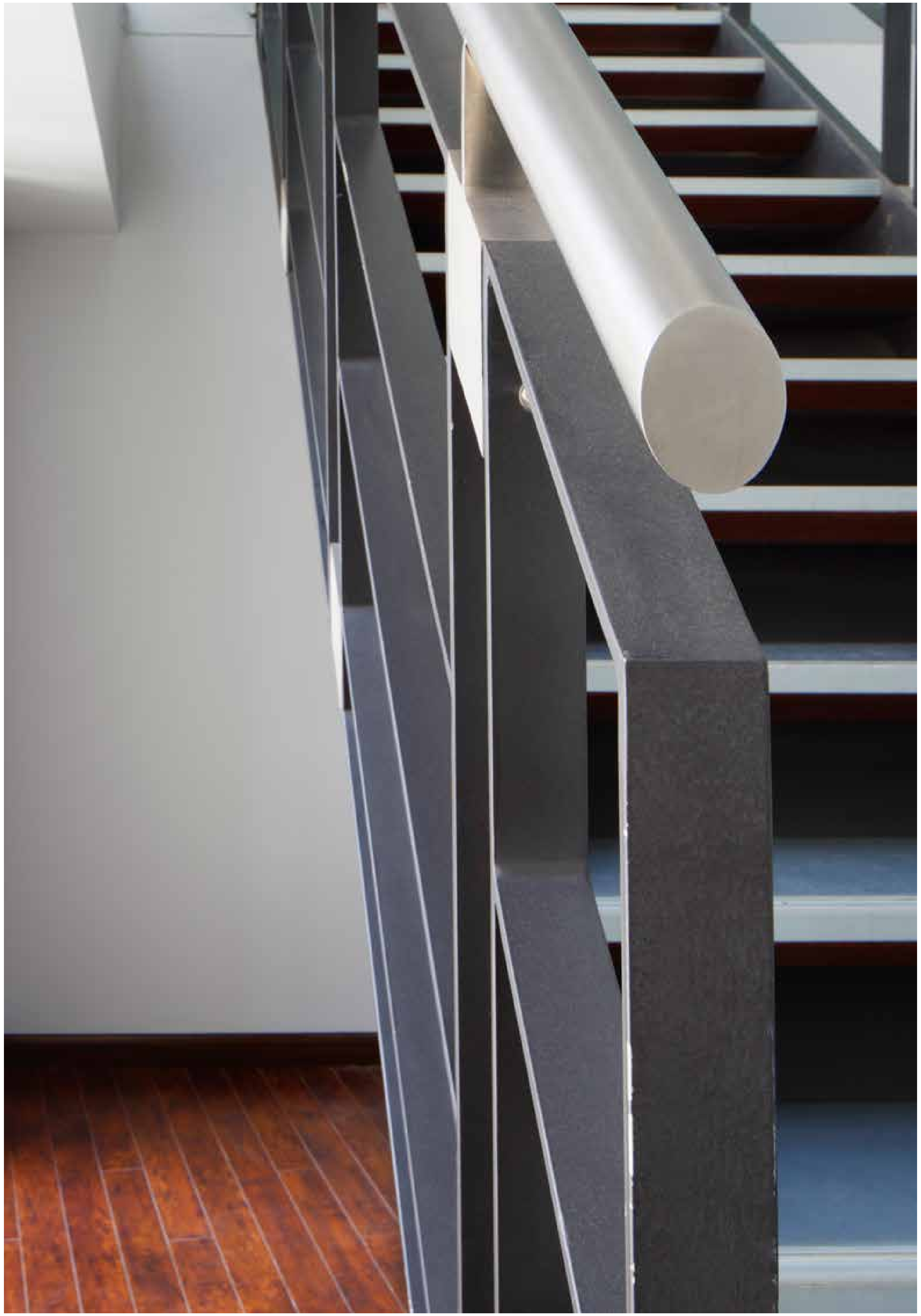
# Investing activities

Cash flows for investing activities relate primarily to the acquisition of the Properties and are slightly offset by finance income received from the REITs cash and Wakala deposits.

Net cash used in investing activities amounted to US$108.8 million in the 12 month period ended 31 December 2013 reflecting the consideration for the acquisition of Index Tower-Retail and the acquisition of GWAD in October 2013, and the initial 10% payment in relation to the acquisition of Index Tower-Car Park in December 2013. Shares issued to EFG Hermes Holding SAE in consideration of the transfer of Index Tower-Office at a valuation of US$8.76 million represents a non cash movement and is not included within cash flows used in investing activities.

# Financing activities

Net cash inflows from financing activities decreased to US$58.14 million in the 12 month period ended 31 December 2013, compared to a net cash inflow of US$92.09 million in the 12 month period ended 31 December 2012, due primarily to decreases in proceeds from the issuance of Shares as the REIT utilised cash on hand and financing facilities for the majority of its acquisitions during the period.





# Risk Profile

Investing in and holding Shares in Emirates REIT involves financial risk. There can be no assurance that the Investment Objectives will be achieved. Results may vary substantially over time and, accordingly, the REIT is not suitable as the sole investment vehicle for an investor. There is no guarantee nor can any assurance be given in relation to the performance of the REIT, that any strategic objectives of the REIT will be achieved, or that investors will receive a return of all or any part of their investment.

An investment in Emirates REIT could result in a loss for an investor of part or whole of their investment Investors invest in the Emirates REIT with limited liability and cannot lose more than the amount of their investment. Shareholders will not be liable to make any further payment after they have paid the price of their Shares and no further liability for the debts of the Emirates REIT can be imposed on any Shareholder in respect of the Shares held by them unless the Companies Law or the DFSA Regulations prescribe otherwise.

**An investment in the Shares of Emirates REIT involves certain risks, including amongst others, risks relating to:**

- the REIT's business and industry, and that the REIT's current income is entirely dependent on assets located in the Emirate of Dubai;
- the REIT Manager, and the REIT's dependence on the REIT Manager and its key personnel;
- the Shares, the market price of the Shares, and fluctuations in the levels of dividends and other distributions paid by the REIT;
- Dubai, the UAE and the MENA Region and their potentially unstable economic and political conditions; and
- NASDAQ Dubai, which is a relatively new market which may suffer from liquidity issues.

# GOVERNANCE

$100.82 $102.02 $102.80 $105.91 $107.27 $108.50 $105.32 $107.3

# Management Board

The Management Board are responsible for guiding the REIT in their day to day operations and expanding and optimizing the Emirates REIT property portfolio.

**Abdulla Al Hamli** Chairman

Mr Abdullah Ali Obaid Al-Hamli serves as Managing Director of DIB. Mr Al-Hamli has been the Managing Director of DIB since July 2013. He served as the Chief Executive Officer of DIB from 22 September 2008 and served as its Executive Vice President of Business Services. Mr Al-Hamli served as Chief of Operations and Information Technology at DIB for nine years, following 16 years in progressively senior positions at leading public and private-sector organizations in Dubai, including more than a decade and a half as the Director of Information Systems at the Dubai Ports Authority and Jebel Ali Free Zone. Mr Al-Hamli has been the Chairman of Deyaar since July 2009. He has been the Chairman and Director at Tamweel PJSC since November 2010. He serves as a Director of DIB and Deyaar. He served as a Board Member of Injazat Technology Fund II, Injazat Technology Fund and Injazat Technology Fund E.C. and as a Director at Gulf Finance House BSC. He has completed various international professional development programs and holds a B.Sc. with majors in Economics and Mathematics from Al Ain University.

**Sylvain Vieujot** Executive Deputy Chairman

Mr Vieujot is the co-founder and Executive Deputy Chairman of the REIT Manager. He is also the Chairman of Eiffel Management Limited, Eiffel Holding and La Tréserorie Limited. Mr Vieujot moved to Dubai in 2005 and founded Eiffel Management Limited. In 2007, as CEO of Eiffel Holding, he transferred Eiffel Holding, the then holding company of "Société de la Tour Eiffel" - the first French newly listed REIT (SIIC) - from Luxembourg to the Dubai International Financial Centre. In 2010, Eiffel Management Limited together with DIB launched the REIT, the UAE's first real estate investment trust. Prior to his involvement in the REIT Manager, Mr Vieujot founded several companies, including Freelance.com and Plâtre.com. In 2005, Mr Vieujot listed Freelance.com on the French stock market (Alternext of Euronext). Mr Vieujot has a Masters in Entrepreneurship from HEC, Paris, France and is an Engineer in Computer Sciences, Micro-electronics and Electro Technology.

**Magali Mouquet** Executive Director - Investor Relations and Communication

Ms. Mouquet joined the board of the REIT Manager in October 2013 and is an Executive Director and a board member of the REIT Manager and a board member of Eiffel Management Limited. She oversees the investo relations, the communication & marketing and the human resources functions of the REIT Manager. Ms. Mouquet is the co-founder of Plâtre.com and Freelance.com S.A. She was a board member of Freelance.com when the company launched its IPO in 2005 on the French stock market (Alternext of Euronext). Ms. Mouquet has studied business management in the European Business School of Paris.





**Mark Inch** Director

Mr Inch began his career in 1973 with Jean-Claude Aaron, one of France's leading property developers in the 1970s, and joined the Banque Arabe et Internationale d'Investissement (BAII) in 1979. Between 1985 and 1990, as director of the bank and president of its real estate subsidiary, he initiated numerous operations combining financial engineering and property assets, restructuring companies by developing their real estate assets (including retail groups Felix Potin and Les Trois Quartiers). Mr Inch founded the Awon Group in 1999 with Robert Waterland. Together they rapidly grew the new company into one of the leading independent French property asset management firms. In July 2003, they combined with one of George Soros real estate investment funds to take over Société de la Tour Eiffel and Mr Inch became chairman and chief executive officer of the company. Mr Inch stepped down as chief executive officer in September 2012 and remains chairman of the Board of Société de la Tour Eiffel.

# Investment Board

The Investment Board consists of independent subject 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 are not involved in the day to day management of the REIT.

**Marwan Bin Ghulaita**

Marwan Bin Ghulaita was appointed to the REIT's Investment Board on 13 December 2010. Mr Bin Ghulaita graduated as a survey engineer from the University of Fresno, California and commenced his career at the Dubai Land Department. In 1998, he obtained an MBA from the Advanced Management Institute of the Arabic Academy of Sciences and Technology in Alexandria, Egypt. He progressed from a survey engineer position to vice-president of the Survey Division at the Dubai Land Department and, in 1999, became the first local Chief Surveyor of the Dubai Land Department. He also served as Director of Technical Affairs and Customer Service and, in 2007, was appointed as Chief Executive Officer of the Dubai Real Estate Regulatory Agency. In 2011, Mr Bin Ghulaita was elected as a Federal National Council Member and is ranked as one of the 500 most powerful Arabs in the world by Arabian Business.

### Hamad Buamim

Hamad Buamim has been the president & chief executive officer of the Dubai Chamber of Commerce & Industry since November 2006. He also serves as the deputy chairman of the World Chambers Federation – ICC in Paris. He was educated in the USA and graduated with Honors (Magna Cum Laude) from the University of Southern California – Los Angeles in 1996 with a bachelor of science in electrical engineering. In 2002, he obtained an MBA with honors in finance from the University of Missouri – Kansas City. Mr Buamim is a member of the board of directors of the UAE Central Bank, board member of Dubai World, chairman of National General Insurance and board member of Union Properties. Previously, he served as chairman of Emirates Financial Services, chairman of Emirates NBD Capital and board member of Emirates NBD Bank and Network International. Mr. Buamim was appointed as a director of DIB, the owner of 25% of the issued share capital of the REIT Manager, on 2 March 2014.

### David Ralph Savy

Captain David Ralph Savy was appointed to the Investment Board on 13 December 2010. Captain Savy served as chairman and chief executive of Air Seychelles for a period of 14 years until February 2011. He is currently the chairman of the Seychelles Civil Aviation Authority. Captain Savy launched his professional career as a pilot soon after his studies and has held both civilian and military posts. Civilian posts included airline captain, general manager flight operations, chief pilot, trainer and examiner with Air Seychelles. On the military side, Captain Savy served in several posts varying from commanding officer of the Seychelles Airwing to the Seychelles Defence Academy. He also holds the title of Lieutenant Colonel (Retired). Captain Savy sits on a number of government boards including the Seychelles Tourism Board. He is also a board member of H. Savy & Company Ltd. (Seychelles), H.Savy Insurance (Seychelles) and Veling Hospitality (Mauritius). Captain Savy is a board member of Veling Holding (Mauritius) and treasurer of the Seychelles Children's Home Foundation.

## Oversight Board

The Oversight Board are 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 have 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.





### Suresh Kumar

Suresh Kumar was appointed to the REIT's Oversight Board on 16 August 2012. Mr Kumar is currently the Chairman of the Values Group in Dubai. Previously, Mr Kumar had served as a Chief Executive Officer & Board Member of Emirates NBD Capital and Emirates Financial Services PSC in Dubai ; having been a member of the Group Executive Committee for 27 years. Currently, he is also the non-executive Chairman of both the Federal Bank Financial Services as well as IDBI Federal Life Insurance Company and a Director on the Board of ICICI Prudential Asset Management Company (AMC) -- all in India. Mr Kumar was also a non- executive board member for 8 years and stepped down as Chairman of Federal Bank in November 2013. He was the first recipient of the Rotary International Scholarship and Lord Aldington Banking Fellowship in 1977 and 1978, respectively. Mr Kumar is also a Fellow of the Indian Institute of Bankers. He had earlier completed two Advanced Management Programmes at the London School of Business and at the Columbia University. Mr Kumar graduated in Economics from the Sydenham College of the University of Mumbai in 1971.

### Abdul Wahab Al Halabi

Abdul Wahab Al-Halabi was appointed to the Oversight Board on 20 June 2013. Mr Al-Halabi is currently the group chief investment officer at Meeras Holdings. His previously held positions include those with KPMG as a partner overseeing the transactions and restructurings group, Dubai Holding group companies, including chief executive officer at Dubai Properties LLC and chief operating officer of Dubailand. He was also a senior vice president at Emirates Financial Services. Previously, Mr Al-Halabi spent nine years at KPMG in the UK specialising in insolvency and restructuring. Mr Al-Halabi holds a Bsc in Economics from the London School of Economics. He is a Member of the Institute of Chartered Accountants in England and Wales, a Member of the Securities Institute and holds an Executive MBA from Ecole Nationale des Ponts et Chaussées.

### Obaid Al Zaabi

Obaid Al Zaabi was appointed to the REIT's Oversight Board on 31 January 2013. Mr Al Zaabi holds a PhD in Banking & Finance from Durham University, United Kingdom (which he obtained in 2006), an MBA from AASTM-ALO (which he obtained in 2000 with distinction) and a Bsc. in Business and Accounting from The UAE University (which he obtained in 1989). In addition, he is a member of the Australian Institute of CMA and Auditing & Accounting Organization for Islamic Financial Intuitions (CIPA) and UAE Auditor and Accountants Association. He represents the Gulf Regulatory Authorities in The International Federation of Accountants (IFAC) as member of the Consultative Advisory Groups of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) and is a member of board of directors of GCC Accounting and Auditing Organization. His experience in banking and finance developed from leading UAE regulatory organizations and financial institutions such as UAE Central Bank, Financial Markets Authority, DIB and Amlak Finance. He delivered a series of academic lectures and courses at both undergraduate and postgraduate level in Sharjah University and The British University in Dubai.

# 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 adhoc advice in relation to various projects as needed. The Advisory Board are not involved in the day to day duties of the REIT.

### Khalid Al Malik

Khalid Al Malik is the Group Chief Executive Officer of Dubai Properties Group, aleading real estate developer in the United Arab Emirates. The Group has successfully delivered footprint of over 43 million square feet comprising of landmark residential communities, commercial properties and business districts in Dubai that includeBusiness Bay, Jumeirah Beach Residence, The Executive Towers, Remraam, Al Khail Gate, Shorooq Midriff and JBR Walk. Khalid continues to spearhead the group's growth strategy and has lead restructuring of the business in delivering fully integrated real estate developments and property management solutions. His prior responsibility was as the Chief Executive Officer of Tatweer, a major real estate conglomerate in Dubai where he was closely involved in strategy and execution of businesses in Health Care, Leisure & Entertainment and Industrial development. He has served with the Government of Dubai in senior positions and was the Director of Operations at Dubai Development & Investment Authority until 2005. Khalid serves on the board of Empower and is the member of the advisory board of Emirates REIT. He is the Executive Director on the board of Dubai Properties Group and is the Chairman of the board of Arady Developments. He also serves on the board of several international real estate companies in Morocco, Turkey and Oman. Khalid has a passion for motor sports and was the General Manager of Emirates Motor Sports Federation where he was tasked to broaden the appeal of motor sports in the United Arab Emirates. His academic credentials include a bachelor degree from the University of Arizona with a double major in Management Information Systems and Production & Operations Management; a Master in Business Administration (MBA) from the Zayed University in the United Arab Emirates with specialization in e-commerce. He is a graduate of the Dubai Government Leaders' Programme, a component of the Mohammed Bin Rashid Programme for Leadership Development.

### Kunal Bansal

Kunal Bansal was appointed to the Advisory Board on 31 January 2013. Mr Bansal has been a director and partner at Vintage Bullion DMCC since its formation. Mr Bansal holds a Bsc in finance from the Rochester Institute of Technology.





### Todd Betts

Todd Betts was appointed to the Advisory Board on 1 May 2013. Since April 2010, Mr Betts has held the position of Group Chief Financial Officer at TECOM Investments where he is responsible for the company's financial reporting, planning, investments and operations. Following graduation from Queens University in Kingston, Canada, Mr Betts qualified as a chartered accountant whilst at KPMG in Toronto and has since held senior finance positions at Hutchinson Whampoa Limited based in Hong Kong, Corus Entertainment and Alliance Atlantis Broadcasting. He also serves as executive director of SmartCity (Kochi) Infrastructure Private Limited, executive director of Dubai Healthcare City, executive director of Smart City (Malta) Limited, executive director of Energy Management Services Group LLC and vice chairman of the Land Committee at TECOM Investments.

### Faisal Mikou

Faisal Mikou was appointed to the REIT's Advisory Board on 1 November 2013. Mr Mikou is a Partner of GMP Capital. His previous roles include Executive Vice President at Investment Corporation of Dubai, Executive Director at Lehman Brothers, Director at Barclays Capital and Head of GCC Debt Capital Markets at ABN AMRO Bank N.V. Mr Mikou holds a Masters in Economics from Universitié Panthéon Sorbonne (Paris I), France.

# 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 REITs business in line with Shari'a best practice.

### Dr Mohamed Abdul Hakim Zoeir

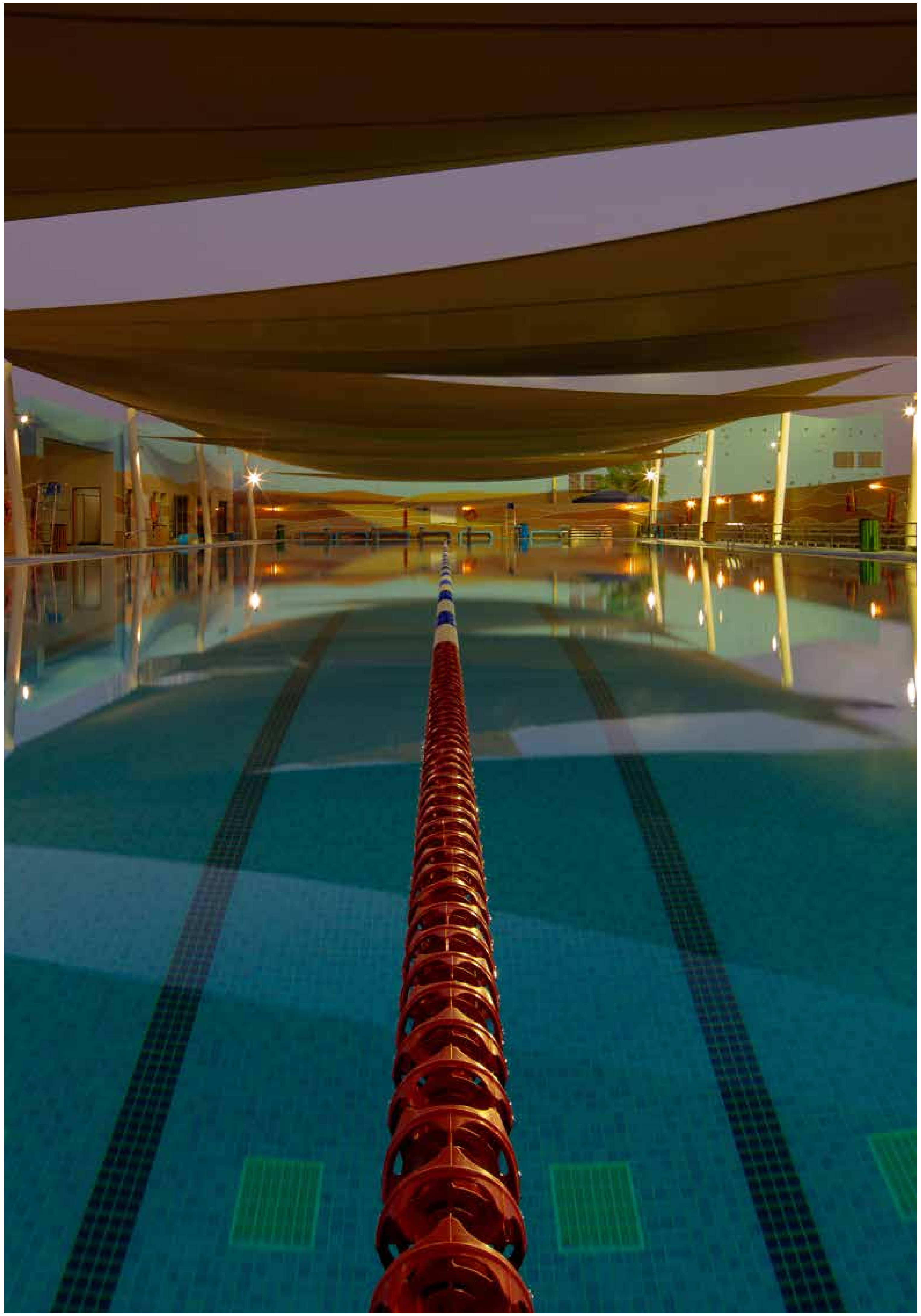
Dr Mohammad Abdul Hakim Zoeir was appointed to the Shari'a Supervisory Board on 10 November 2010. Dr Zoeir has a doctorate and a master's degree of Islamic Shari'a from Al-Azhar University, Egypt. He also holds abachelor's degree in management science. He has over 30 years of Islamic banking experience and is very highly regarded in the field of modern Islamic finance. In addition to being a member of the Fatwa and Shari'a supervisory board of DIB, Dr Zoeir sits on Shari'a boards of numerous financial institutions including Tamweel and Amlak.

### Mian Muhammad Nazir

Mian Muhammad Nazir was appointed to the Shari'a Supervisory Board on 6 June 2012. Nazir has an LL.M Commercial Laws from the University of Cambridge, UK; LL.B (Hons) Shari'a and Law (Distinction) and B.A Islamic Jurisprudence from the International Islamic University, Islamabad, Pakistan.
Nazir is a Sharia Scholar and an accomplished Shari'a practitioner in the field of Islamic banking, finance and insurance. He has extensive experience in Islamic structuring, product development and documentation of Islamic banking, finance and insurance products including retail, corporate, syndications, project finance, Sukuk, securitization, fixed income structured notes, Islamic investment funds, Waqf (Islamic trusts), real estate funds, Islamic swaps and derivatives, hedging, insurance, microfinance products and Islamic finance regulations, including governance.

### Moosa Tariq Khoory

Moosa Tariq Khoory is a current member of the Fatwa and Shari'a Supervisory Boards of several leading Islamic financial institutions located in the United Arab Emirates and abroad. The institutions specialize in Islamic Banking and Finance, Islamic Insurance (Takaful) and Islamic Funds.
Moosa is an expert in Sharia in the fields of Islamic finance and banking, as well as Islamic insurance (Takaful). He specializes in structuring Sharia compliant products/solutions, and advising on Sharia compliance aspects of Islamic banking transactions and various Sukuk transactions, including relevant Sharia documentation. Moosa has conducted Sharia Audits of several Islamic financial institutions, and has acquired extensive experience in Sharia research and training. In addition, he has been a key player in the conversion of some conventional banks into Islamic banks. Moosa is also an experienced speaker, undertaking a number of speaking opportunities in various conferences and panel discussions which cover different facets of Islamic finance and banking. Moosa holds a Master's degree in Islamic Jurisprudence and its Foundations and a Bachelor's degree in Sharia and Islamic Studies, specializing in Jurisprudence and its Foundations from the University of Sharjah.



# Investment Board Report

## Introduction

This report from the Investment Board of 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. It's members must not involve themselves in the day to day management of the REIT. No investment shall be made by the REIT without the prior approval of the Investment Board.

## Investment Board Members during 2013

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

There were the following appointments and re-appointments of Board Members during 2013:

- On 31st January 2013 the existing Board consisting of Mr. Abdulla Al Ghurair, Mr. Marwan Bin Ghulaita and Mr. David Savy were re-appointed at the approval of the shareholders of the REIT.
- On 27th June 2013, Mr. Abdulla Al Ghurair stepped down from the Investment Board of the REIT.
- On 2nd July 2013, Mr. Iskandar Safa was appointed to the Investment Board.

## Changes to the Investment Board post-2013

On 1st February 2014 the shareholders re-appointed Mr. Marwan Bin Ghulaita and Mr. David Savy, and appointed Mr. Hamad Buamim.

Subsequent to his appointment to the Investment Board, Mr. Hamad Buamim was appointed as a director of Dubai Islamic Bank ("DIB") on 2nd March 2014. DIB is the owner of 25% of the issued share capital of the REIT Manager. The CIR Rules require the Investment Board to comprise of three experts who are independent of the REIT Manager. In light of this Mr Buamim intends to step down from his role on the Investment Board by 1st June 2014.

The REIT Manager believes that Mr. Buamim is independent in character and judgement and that it is essential for the operation of the Investment Board that Mr. Buamim remain a member of the Investment Board until such time as a suitable replacement can be found.

Mr Buamim will not be involved in the consideration of any transaction between the REIT and either of the REIT Manager or DIB.

During Mr. Buamim's remaining period and pending a suitable replacement being appointed, the Investment





In the 12 month period ended 31 December 2013, the REIT acquired investment properties for a total consideration of USD 128.2 million, of which USD 109.0 million was paid in cash and USD 8.8 million was settled by issue of shares in the REIT and the residual consideration of USD 10.5 million remained outstanding as at the date of this report.

Board will perform its regular duties and the REIT Manager will ensure that all necessary conflict management measures are implemented in relation to matters in which DIB is or may be interested. The REIT Manager also believes that Mr Buamim is independent in character and judgement and as such the cross-directorship do no preclude such independence.

## Investment Activity during 2013

The Investment Board reviewed and evaluated a number of investment opportunities during 2013.
This included the following assets which were acquired by the REIT during 2013:

- Index Retail, DIFC, Dubai
- GEMS World Academy, Al Barsha South, Dubai
- Index Tower – 490 Car Park Spaces, DIFC, Dubai
- Index Tower – Office Floor 7, DIFC, Dubai

In the 12 month period ended 31 December 2013, the REIT acquired investment properties for a total consideration of USD 128.2 million, of which USD 109.0 million was paid in cash and USD 8.8 million was settled by issue of shares in the REIT and the residual consideration of USD 10.5 million remained outstanding as at the date of this report.

There were no disposals of property which the Investment Board were required to consider during the period covered by this report.

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

**Hamad Buamim** **Marwan Bin Ghulaita** **David Savy**

9th April 2014

# Oversight Board Report

### Members of the Oversight Committee during 2013

- Mr. Obaid Al Zaabi
- Mr. Suresh Kumar
- Mr. Gilles Rollet (resigned 24th April 2013)
- Mr. Abdul Wahab al Halabi (appointed 20th June 2013)

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.

The Board met four times for the year 2013 and these meetings were held in the Dubai International Financial Centre. The Oversight Board's last meeting for 2013 was held on 8 January 2014.

Rule 10.3.13 requires that this report contains a summary statement of the duties of the persons carrying out the oversight functions and in respect of the safe keeping of REIT Property. It must also include a statement as to whether in any material respect the issue, sale, redemption and cancellation, and calculation of price of the units and the application of the REIT's income have not been carried out in accordance with the Collective Investment Rules of the DFSA and the Constitution of the REIT. It must also include whether in any material respect, the investment and borrowing powers and restrictions applicable to the REIT have been exceeded.

The general oversight duties are set out in Rule 10.3.4 of the CIR Module. Rule 10.3.4 states as follows:

The Persons providing the oversight function must:

(a) monitor whether the REIT Manager:

(i) is managing the REIT in accordance with the Constitution and the most recent Prospectus of the REIT, 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 Law or any Rules in this module;
(ii) is complying with any terms and conditions on the REIT Manager's License, particularly with respect to the management of the REIT; and
(iii) if it is an External REIT Manager, is complying with the specific requirements that apply to such a Person by virtue of being an External REIT Manager;

(b) assess whether the REIT Manager's systems and controls, particularly those relating to risk management and compliance, operate as intended and remain adequate;
(c) report to the REIT Manager on its findings, including any actual or potential breaches or inadequacies in relation to the matters specified in (a) and (b), as soon as such breaches or inadequacies are identified or suspected; and





At the close of the period in question, borrowings were AED 391 million against net asset value of AED 753 million, a ratio of 52%.

(d) report to the DFSA if:
(i) the REIT Manager has failed, or is reasonably likely to fail, to take appropriate action to rectify or remedy a matter reported to it within 30 days of that matter being so reported; and
(ii) that Person believes on reasonable grounds that the matter has had, or is likely to have, a materially adverse impact on the interests of the Unitholders of the REIT.

The Board is satisfied that the REIT is being managed in accordance with its constitution. All investments have been made in accordance with the requirements of the CIR and the required processes have been followed. The Board noted that the cash held by the REIT is 4% of the total NAV as at 31 December 2013.

REIT property has been valued as required. Borrowing limits have been observed. At the close of the period in question, borrowings were AED 391 million against net asset value of AED 753 million, a ratio of 52%.

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 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 does not have any matter to report to the DFSA.

No shares in the REIT have been cancelled, redeemed or sold during the period in question. In relation to the issue of shares this has been done at net asset value in accordance with the constitution and the prospectus. The REIT's income has been applied in accordance with the prospectus and the constitution.

In relation to investment and to borrowing, the powers of the REIT have not been exceeded.

In relation to the safekeeping of REIT property, a Custodian has been appointed and title documents to the REIT's assets are deposited with the Custodian.

This Report is in relation to the period up to 31 December 2013.

Suresh Kumar    Abdul Wahab Al Halabi    Obaid Al Zaabi

13th April 2014



# Shari'a Board Report

## Annual Report of the Fatwa and Shari'a Supervisory Board of Emirates REIT (CEIC) Limited for the year 2013

### Prepared in accordandce with DFSA Islamic Finance Rules (IFR) 6.3.2(1)

### 1. Fatawa and Resolutions:

The Shari'a Board provided answers to the questions it received from various departments of Emirates REIT (CEIC) Limited (the "Firm"), and issued the appropriate Fatawa and resolutions thereon. These Fatawa were circulated for implementation.

### 2. Review of Documentation/Transactions:

The Board reviewed all the transactions presented to it and wherever needed, prepared, revised and approved the documentation for these transactions to ensure that they are in compliance with Shari'a principles and the Shari'a Board's Fatawa.

### 3. Review of the Books and Records:

The Board reviewed the Firm's books, records and documents it had requested to review and obtained the data and information it requested in order to be able to perform the duty of Shari'a supervision and auditing.

### 4. The Board's Opinion:

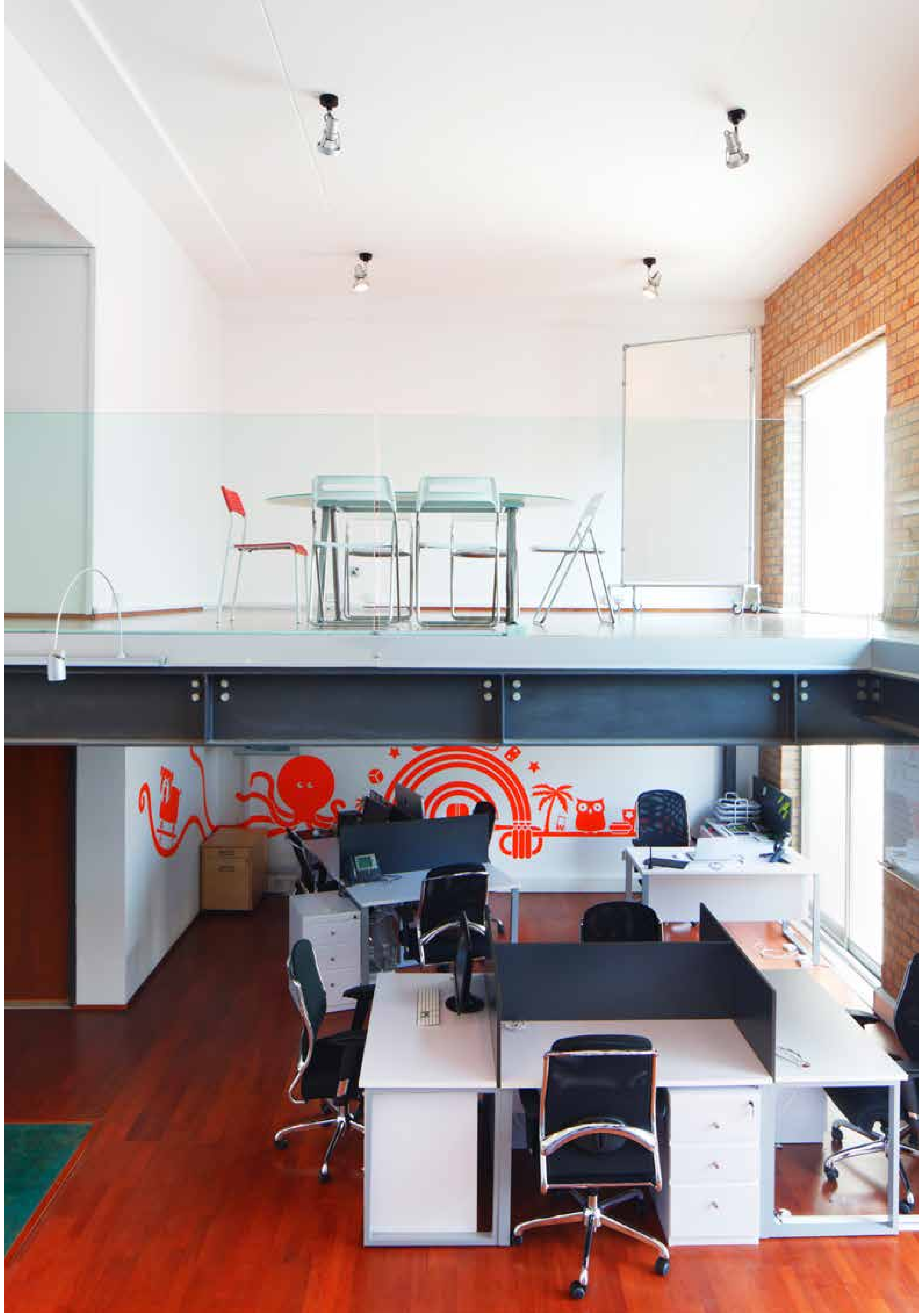
While it confirms that the responsibility for the implementation of Shari'a principals and the Shari'a Board's Fatawa in all activities of the Firm are basically that of the Firm's Management, the Board would state that within the cases presented to it and information obtained by it; and pursuant to the auditing carried and comments made by it; and based on positive response of the Firm's Management and its willingness to comply with these documents, the activities and transactions performed by the Firm during the year of 2013 in whole comply with Islamic Shari'a principles and the Board's Fatawa.

### Shari'a Supervisory Board

20th January 2014

# FINANCIAL STATEMENTS


Emirates REIT (CEIC) Limited
Annual Report 2013





# Independent Auditors' Report to the Shareholders of Emirates REIT (CEIC) Limited

We have audited the accompanying financial statements of Emirates REIT (CEIC) Limited (the "Fund"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Fund Manager's Responsibility for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board and the applicable requirements of the DIFC Laws, and for such internal control as the Fund Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the shareholders of the Fund as a body, for our audit work, for this report or for the opinion we have formed. 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 auditors' judgment, 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 and fair presentation of the financial statements 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 financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

## Ernst & Young

3 March 2014 Dubai, United Arab Emirates

# Emirates REIT (CEIC) Limited
# Statement of Financial Position

As at 31 December 2013

| | Notes | 2013 USD | 2012 USD |
|---|---|---|---|
| ASSETS | | | |
| Non-current asset | | | |
| Investment properties | 4 | 323,130,956 | 167,601,416 |
| Current assets | | | |
| Receivables, prepayments and other assets | 5 | 1,933,839 | 1,373,839 |
| Bank balances and cash | 6 | 8,145,320 | 43,594,405 |
| | | 10,079,159 | 44,968,244 |
| TOTAL ASSETS | | 333,210,115 | 212,569,660 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 7 | 151,642,700 | 126,292,600 |
| Share premium | | 13,969,673 | 6,530,525 |
| Retained earnings | | 39,445,815 | 10,938,799 |
| TOTAL EQUITY | | 205,058,188 | 143,761,924 |
| Non-current liability | | | |
| Non-current portion of corporate Ijarah facilities | 8 | 96,390,108 | 56,650,154 |
| Current liabilities | | | |
| Current portion of corporate Ijarah facilities | 8 | 9,172,865 | 5,038,062 |
| Accounts payable and other liabilities | 9 | 22,588,954 | 7,119,520 |
| | | 31,761,819 | 12,157,582 |
| TOTAL LIABILITIES | | 128,151,927 | 68,807,736 |
| TOTAL EQUITY AND LIABILITIES | | 333,210,115 | 212,569,660 |
| Net asset value ("NAV") | | 205,058,188 | 143,761,924 |
| Number of shares | | 1,516,427 | 1,262,926 |
| Net asset value per share | | 135.22 | 113.83 |

These financial statements were approved by the Board of Directors of Emirates REIT Management (Private) Limited as sole director of the Fund on 3 March 2014 and signed on their behalf by:

Hannah Jeffery - Senior Executive Officer James Anderson - Chief Financial Officer





# Emirates REIT (CEIC) Limited
# Statement of Comprehensive Income

For the year ended 31 December 2013

| | Notes | 2013 USD | 2012 USD |
|---|---|---|---|
| Rental income | | 22,336,402 | 12,359,844 |
| Service fee income | | 1,914,016 | 1,158,554 |
| Other property income | | 170,712 | 26,097 |
| | | 24,421,130 | 13,544,495 |
| Property operating expense | | (5,754,999) | (4,130,334) |
| | | 18,666,131 | 9,414,161 |
| Net unrealised gain on revaluation of investment properties | 4 | 27,285,801 | 7,615,029 |
| Net property income | | 45,951,932 | 17,029,190 |
| Management fee | 12 | (3,778,314) | (1,764,662) |
| Performance fee | 12 | (1,966,202) | (780,921) |
| Fund administration fee | | (106,343) | (95,725) |
| Auditors' fees | | | |
| - audit | | (61,140) | (28,000) |
| - other services | | - | - |
| General and administrative expenses | | (604,240) | (540,697) |
| Subscription income | | 66,000 | - |
| Subscription fee | | (115,947) | - |
| IPO costs | | (702,976) | - |
| Other expenses | | (11,013) | (12,172) |
| Operating profit | | 38,671,757 | 13,807,013 |
| Finance income | | 198,651 | 15,879 |
| Finance cost | | (4,024,253) | (2,927,479) |
| Finance cost, net | | (3,825,602) | (2,911,600) |
| Profit for the year | | 34,846,155 | 10,895,413 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 34,846,155 | 10,895,413 |
| Basic and diluted earnings per share | 13 | 0.26 | 0.15 |

# Emirates REIT (CEIC) Limited
# Statement of Changes in Equity

For the year ended 31December 2013

| | Share capital USD | Share premium USD | Retained earnings USD | Total USD |
|---|---|---|---|---|
| Balance at 31 December 2011 | 45,131,900 | 855,159 | 1,193,303 | 47,180,362 |
| Share capital issued | 80,465,700 | 5,638,341 | - | 86,104,041 |
| Cash dividends (note 11) | - | - | (417,892) | (417,892) |
| Share dividends (note 11) | 695,000 | 37,025 | (732,025) | - |
| Total comprehensive income for the year | - | - | 10,895,413 | 10,895,413 |
| Balance at 31 December 2012 | 126,292,600 | 6,530,525 | 10,938,799 | 143,761,924 |
| Share capital issued | 23,448,500 | 7,160,950 | - | 30,609,450 |
| Cash dividends (note 11) | - | - | (4,159,341) | (4,159,341) |
| Share dividends (note 11) | 1,901,600 | 278,198 | (2,179,798) | - |
| Total comprehensive income for the year | - | - | 34,846,155 | 34,846,155 |
| **Balance at 31 December 2013** | **151,642,700** | **13,969,673** | **39,445,815** | **205,058,188** |





# Emirates REIT (CEIC) Limited
# Statement of Cash Flow

For the year ended 31December 2013

| | Notes | 2013 USD | 2012 USD |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | 34,846,155 | 10,895,413 |
| Adjustments: | | | |
| Net unrealised gain on revaluation of investment properties | 4 | (27,285,801) | (7,615,029) |
| Finance expense | | 4,024,253 | 2,927,479 |
| Finance income | | (198,651) | (15,879) |
| Provision for doubtful debt, net | | 17,163 | 12,088 |
| | | 11,403,119 | 6,204,072 |
| Working capital changes: | | | |
| Receivables, prepayments and other assets | | (577,163) | 280,109 |
| Accounts payable and other liabilities | | 4,400,323 | 5,370,865 |
| Net cash from operating activities | | 15,226,279 | 11,855,046 |
| Investing activities | | | |
| Purchase of investment properties | | (109,018,865) | (60,912,061) |
| Finance income received | | 198,651 | 15,879 |
| Net cash used in investing activities | | (108,820,214) | (60,896,182) |
| Financing activities | | | |
| Proceeds from issue of shares | | 21,852,140 | 55,338,999 |
| Corporate Ijarah facility obtained, net | | 48,851,800 | 43,234,413 |
| Corporate Ijarah facility paid | | (5,038,063) | (3,189,494) |
| Dividend paid | 11 | (4,159,341) | (417,892) |
| Finance expense paid | | (3,361,686) | (2,877,276) |
| Net cash from financing activities | | 58,144,850 | 92,088,750 |
| Net (decrease) / increase in cash and cash equivalents | | (35,449,085) | 43,047,614 |
| Cash and cash equivalents at the beginning of the year | | 43,594,405 | 546,791 |
| Cash and cash equivalents at the end of the year | 6 | 8,145,320 | 43,594,405 |

**Non cash transactions**

In 2013, the Fund acquired investment properties for a total consideration of USD 128,243,739 (2012: USD 91,677,103), of which USD 109,018,865 was paid in cash (2012: USD 60,912,061) , USD 8,757,310 was settled by issue of shares (2012: USD 30,765,042) and the residual consideration of USD 10,467,564 remained outstanding as at the reporting date (2012: Nil).

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 1 Activities

Emirates REIT (CEIC) Limited (the "Fund") is a close 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 laws and rules of Dubai Financial Services Authority ("DFSA") and Dubai International Financial Centre ("DIFC"), including the DIFC Law No. 2 of 2010 and the Collective Investment Rules contained within the DFSA Rulebooks and will be operated as an Islamic Fund in accordance with such provisions, laws and rules.

The Fund was established on 28 November 2010 by the Fund 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, PO Box: 482015, Dubai, UAE.

The Fund's business activities are subject to the supervision of a Shari'a Supervisory Board consisting of three independent members appointed by the Fund Manager who review the Fund'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 Fund 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 Fund on 3 March 2014.

## 2.1 Basis of Preparation

### Statement of compliance

The financial statements of the Fund 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.

### Basis of preparation

The functional currency of the Fund is UAE Dirhams. The presentation currency of the financial statements of the Fund is USD translated at a rate of AED 3.673 to 1 USD. The translation rate has remained constant throughout the year.

The financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investment properties.

### Income and cash flow statements

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





The Fund reports cash flows from operating activities using the indirect method. Finance income is presented within investing cash flows; finance expense 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 Funds business activities.

### Operating segments

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

## 2.2 Changes in Accounting Policies & Disclosures

### New and amended standards and interpretations

The Fund applied, for the first time, certain standards and amendments that require additional disclosure to be made. This is mainly in respect of IFRS 13 Fair Value Measurement.

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Fund. These are listed below:

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 19 Employee Benefits (Revised 2011)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)

The nature and the impact of the new standards and amendments applicable to the Fund are described below:

### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Fund re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Fund. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in Note 16.

### 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 Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

The nature and the impact of the new standards and amendments applicable to the Fund are described below:

### IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but as per subsequent decision of the IASB in July 2013, the standard will not become effective until all phases of the IFRS 9 are complete. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Fund.

Several other amendments issued but not yet effective up to the date of issuance of the Fund's financial statement which do not impact the annual financial statements of the Fund or the interim financial statements of the Fund. These are listed below:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRIC Interpretation 21 Levies (IFRIC 21)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

## 2.3 Summary of Significant Accounting Policies

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund 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 Fund 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 properties 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.

### 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).

### Management fee

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

### Performance fee

Pursuant to the Fund Management Agreement, following the listing of the Fund's Shares on a recognised exchange ("Admission"), a performance fee is payable to the Fund Manager. The Performance Fee will become payable following Admission.

The Fund accrues for the amount of performance fee at the statement of financial position date calculated in accordance with the Fund Management Agreement.

### Fair value measurement

The Fund measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

### Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund manager determines the policies and procedures for recurring fair value measurement for investment properties.

External valuers are involved in the valuation of significant assets, such as properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the Fund manager analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Fund manager, in conjunction with the Fund's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values in the financial statements are determined based on an annual valuation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.





Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their 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 Fund accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

### Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements
At 31 December 2013

bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### Corporate Ijarah
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.

### Provisions
Provisions are recognised when the Fund 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.

### Derecognition of financial liability
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### 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.



#### Fund as a lessee
Finance leases which transfer to the Fund 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 asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund 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.

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

#### Fund as a lessor
Leases in which the Fund 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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

### Earnings prohibited by Shari'a
The Fund 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 Fund uses these funds for social welfare activities.

### Foreign currencies
Transactions in foreign currencies are initially recorded by the Fund 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 recognized in profit or loss.

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 (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 3 Significant Accounting Judgements, Estimates & Assumptions

### 3.1 Judgements

The preparation of the Fund's financial statements requires the Fund 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 Fund's accounting policies, the Fund manager has made the following judgements, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

#### Operating lease commitments – Fund as lessor

The Fund has entered into commercial property leases on its investment property portfolio. The Fund 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 properties

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

#### Classification of properties

The Fund manager decides at the time of acquisition of the property whether it should be classified as held for sale, held for development or investment property. The Fund classifies properties held for future development when the intention is to develop the properties for the purpose of selling them to third parties and as properties under construction when such development activities have commenced. The Fund also classifies properties as investment properties when the intention is to hold them for rental, capital appreciation or for undetermined use. The Fund changes the classification when the intention changes.

#### Accrual of performance fee

The Fund Manager has made a judgement that there is a reasonable certainty that the Fund will go public in the future and a performance fee has therefore been accrued accordingly.





### 3.2 Estimates & Assumptions

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 properties

The Fund carries its investment properties at fair value, with changes in fair value being recognised in the statement of comprehensive income. The Fund engaged independent valuation specialists who hold recognized and relevant professional qualifications and have relevant experience in the location and type of investment properties held, to determine the fair values of investment properties as at 31 December 2013. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used. However, for two of the investment properties, 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 properties is most sensitive to the estimated yield, the stabilised occupancy rate as well as the operating expenses. The key assumptions used to determine the fair value of the investment properties and sensitivity analysis, are further explained in note 4.

#### Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates. At the reporting date, gross rental and service income receivables were USD 242,433 (31 December 2012: USD 728,761) and the provision for doubtful debts was USD 29,251 (31 December 2012: USD 12,088). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 4 Investment Properties

As at the reporting date, the Fund held investments amounting to USD 323,130,956 (31 December 2012: USD 167,601,416) in a real estate portfolio which comprise ten properties (2012: six properties) located in Dubai, UAE. The movements in investment properties during the year are as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Balance at the beginning of the year | 167,601,416 | 68,309,284 |
| Additions of new investment properties during the year | 128,243,739 | 91,677,103 |
| Net unrealised gain on revaluation of investments properties | 27,285,801 | 7,615,029 |
| | 323,130,956 | 167,601,416 |

One of the Fund's investment properties is constructed on a plot in Dubai which is under a concession agreement. This agreement is for a period of 26.9 years from the date of acquisition being 13 November 2011.

### Acquisition of Index Tower – Retail

On 7 May 2013 Emirates REIT (CEIC) Limited (the "Fund") entered into a sale and purchase agreement with Emirates NBD Properties LLC relating to the Retail Units at the Index Tower in the DIFC. Under the terms of the agreement the Fund acquired eleven retail units (RT-201 to RT-211) and associated car parking for a consideration of USD 18,341,052 (AED 67,366,685) ("Contract 1").

On 30 May 2013 the Fund entered into two additional contracts with Emirates NBD Properties LLC for the purchase of the remaining retail units at the property being seven retail units (RT-301 to RT-304, and C1 to C3) for a total consideration of USD 12,158,361 (AED 44,657,661) ("Contract 2") and unit RT-305 for a total consideration of USD 2,987,187 (AED 10,971,938) ("Contract 3"). Initial payments made by the Fund under Contract 2 and Contract 3 totaled USD 1,215,836 (AED 4,465,766) and USD 298,718 (AED 1,097,193) respectively with the balance payable pending fulfilment of certain conditions by Emirates NBD Properties LLC. Total capitalised acquisition costs including valuation fees, DIFC transfer fees and other required approval charges totaled USD 1,206,714 (AED 4,432,261). At 31 December 2013, deferred consideration payable by the fund in respect of Retail units at the property amounted to USD 2,696,161 (AED 9,902,998).

Contracts 1, 2 and 3 are recognised as part of the Funds investment property portfolio at fair value as at 31 December 2013.

As at 31 December 2013, the completion of the outstanding administrative conditions relating to Contract 3 and Contract 2 are on-going and are being actively managed by the Fund. The conditions in relation to Contract 2 were satisfied in January 2014.





### Acquisition of GEMS World Academy, Dubai ("GWAD")

The Fund, acting through the Onshore Dubai Branch, acquired a Superior leasehold interest in GWAD from Premier Schools International LLC ("PSI") on 10 October 2013 following the assignment by PSI to the Fund of its Superior leasehold interest (the "GWAD Assignment").

The GWAD Superior Lease was procured by the Fund by way of a Novation and Assignment agreement for a consideration of USD 75,000,000 (AED 275,475,000). Simultaneously with the Superior Lease assignment to the Fund by the Knowledge Fund Establishment (the "Superior Landlord"), the Fund made a re-grant of an occupational lease with PSI as sub-tenant.

The Fund registered the Superior Lease with the Dubai Land Department on 5 November 2013.

The sublease has a term of 30 years. The term of the sublease has been divided into a number of "phases" for the purposes of rent reviews and sharia compliance. The first phase consists of 15 years following the commencement of the sublease (the "First Rent Review Phase"). A new rent review phase will then be deemed to apply in each five year period subsequent to the First Rent Review Phase (the "Subsequent Rent Review Phases"). The total cost of the acquisition, including Land Department transfer fees, legal costs and valuation fees amounted to USD 76,218,955 (AED 279,952,221).

### Acquisition of Index Tower – Office

On 18 December 2013 the Fund acquired 20,752 sq ft of commercial office space being Unit 701, Level 7, Index Tower, DIFC from EFG Hermes UAE Limited for USD 8,757,310 (AED 32,165,600). The Fund issued 64,095 consideration shares to EFG Hermes UAE Limited at the Net Asset Value of the Fund at 18 December 2013 as calculated by the Fund's independent Fund Administrator at that date, in satisfaction of the acquisition price. Additional acquisition costs relating to DIFC transfer fees, developer fees and legal costs which were paid by the Fund, amounted to USD 319,837 (AED 1,174,762).

### Acquisition of Index Tower – Car Parks

On 18 December 2013 (the "Sale Date" ) the Fund entered into a purchase and sale agreement with Emirates NBD Properties LLC for the acquisition of 491 car parking spaces at Index Tower, DIFC. USD 789,718 (AED 2,900,635) being 10% of the total acquisition price of USD 7,897,182 (AED 29,006,352), was paid on the Sale Date with the remaining 90% balance of USD 7,107,464 (AED 26,105,716) being due within 7 days of receipt by the Fund of all Non-objection Letters to be issued by the DIFC Registrar of Real Property in respect of each car parking space. DIFC transfer fees, developer fees and legal fees which form part of the cost of acquisition amount to USD 648,667 (AED 2,382,554).

As at 31 December 2013, the completion of the outstanding conditions of the car park contract were ongoing and are being furthered by the Fund.

Investments properties are stated at fair value, which has been determined based on valuations performed by an independent certified property valuer as at 31 December 2013. As a result of the valuation carried out, the fair value of the properties as of 31 December 2013 was determined to be USD 323,130,956 (31 December 2012: USD 167,601,416).

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

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 Fund 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 properties have been provided in Note 16.

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

| | 2013 USD | 2012 USD |
|---|---|---|
| Balance at the beginning of the year | 167,601,416 | 68,309,284 |
| Additions of new investment properties during the year | 110,620,742 | 91,677,103 |
| Net unrealised gain on revaluation of investments properties | 26,871,771 | 7,615,029 |
| Balance at the end of the year | 305,093,929 | 167,601,416 |
| Net unrealised gain on revaluation of investments properties | 26,871,771 | 7,615,029 |

For investment properties categorized under Level 3 fair value hierarchy, a valuation methodology based on a discounted cash flow (DCF) model was used. The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth rate, occupancy rate, void periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. The significant unobservable inputs used in arriving at fair values of investment properties are the stabilised occupancy rate, the equivalent yield and property operating expenses. The assumptions are applied on a property by property basis and vary depending on the specific characteristics of the property being valued. The range in the main assumptions used in arriving at the fair value of investment properties are as follows:

| | 2013 | 2012 |
|---|---|---|
| Stabilised occupancy rate (%) | 87.5 - 100 | 85 - 90 |
| Equivalent yield (%) | 8.62 – 9.47 | 9.5 - 10 |
| Operating Expenses (USD/sq ft) | 6.09 – 9.53 | 6.6 – 14.6 |

Significant increases (decreases) in estimated stabilized 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 249,667,846 (31 December 2012: USD 145,603,049) are mortgaged against Corporate Ijarah facilities (Note 8).





# 5 Receivables, Prepayments & Other Assets

| | 2013 USD | 2012 USD |
|---|---|---|
| Rental and service income receivable | 242,433 | 728,761 |
| Provision for doubtful debts | (29,251) | (12,088) |
| | 213,182 | 716,673 |
| Security deposit receivable | 426,084 | 134,166 |
| Prepayments | 458,596 | 97,968 |
| Deferred IPO cost | 395,475 | - |
| Others | 440,502 | 425,032 |
| | 1,933,839 | 1,373,839 |

Included in rental and service income receivable are balances due from related parties amounting to USD 28,124 (2012: USD 148,190) (note 12).

As at 31 December 2013, trade accounts receivable at nominal value of USD 29,251were impaired. Movements in the allowance for impairment of receivables were as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Balance as at the beginning of the year | 12,088 | - |
| Charge for the year | 18,528 | 12,088 |
| Write off during the year | (1,365) | - |
| Balance as at closing of the year | 29,251 | 12,088 |

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

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| | Total USD | Neither past due nor impaired USD | Less than 30 days USD | Between 30 to 60 days USD | Between 60 to 90 days USD | More than 90 days USD |
| 2013 | 213,182 | - | 32,315 | 24,127 | 544 | 156,196 |
| 2012 | 716,673 | - | 18,378 | 8,042 | 61,926 | 628,327 |

There is no significant concentration of credit risk with respect to trade receivables as the Fund has a large number of tenants.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 6 Cash & Cash Equivalents

| | 2013 USD | 2012 USD |
|---|---|---|
| Current accounts | 5,194,451 | 785,341 |
| Saving accounts | 2,950,869 | 5,237,597 |
| Wakala deposit | - | 37,571,467 |
| | 8,145,320 | 43,594,405 |

Balances with banks are placed with local Islamic banks. Profit earned on Wakala deposits and saving accounts at the respective deposit rates amounted to USD 179,606 and USD 19,045 respectively for the year ended 31 December 2013 (31 December 2012: 10,337 and USD 5,542).

## 7 Share Capital

The Fund is a closed-ended investment company with a variable share capital.

The initial registered paid up capital is issued to the Fund Manager which subscribed for the one Manager Share at a price of USD 100. The capital of the Fund shall be divided into the Manager Share and Investor Shares. The authorised share capital of the Fund is USD 10,000,000,100 and is divided into:

(i) one Manager Share with a par value of USD100; and
(ii) 100,000,000 Investor Shares with a nominal par value of USD 100 per share.

Provisions relating to the Manager Share:

(i) The Manager Share shall be held by the Fund Manager.
(ii) The Manager Share Shareholder shall have the sole right to:

(a) act as the Fund Manager of the Fund; and
(b) subject to the provisions of the Collective Investment Law, DIFC Law No. 2 of 2010 ("CIF") and Collective Investment Rules ("CIR"), approve any amendment to the Articles and/or the Prospectus provided that any such amendment does not prejudice the rights, entitlements or restrictions applicable to any existing Shares.

(iii) The Manager Share shall confer the right to the holder to receive dividends and any other form of distribution related to the Fund.





Provisions relating to the Investor Shares:

(i) Investor Shares shall be issued to those investors who qualify as eligible Shareholders as set out in the Prospectus.
(ii) Each Investor Share shall rank pari passu with each other Investor Share.
(iii) Investor Shares shall:

(a) be redeemable only in accordance with the provisions of the CIF Law, the CIR Rules and the Prospectus;
(b) confer no voting rights; provided that the Investor Share Shareholders shall be permitted to vote in respect of the matters reserved for their approval being fundamental changes or materially significant changes to the Fund, the Prospectus or the Articles as set out in the Prospectus, the CIF Law, the CIR Rules and these Articles, as otherwise specifically reserved for their approval under the CIF Law, the CIR Rules or the Companies Law or otherwise required to effectively implement any of the provisions of these Articles (including, without limitation, in relation to any proposal to issue new Investor Shares at less than the Net Asset Value per Share); and
(c) confer the right to the holder to receive dividends and any other form of distribution related to the Fund.

(iv) The difference between the price of issue of each Investor Share and the nominal par value will be treated as share premium.

The Fund is a limited liability company. As such, the Shareholders shall only be liable for payment in respect of the purchase or subscription price of their respective Shares and shall not be liable for the debts of the Fund or be subject to any calls to contribute cash to the Fund.

| Name of Shareholders | Class of Shares | Number of Shares 2013 | Number of Shares 2012 |
|---|---|---|---|
| Emirates REIT Management (Private) Limited | Manager | 1 | 1 |
| Dubai Islamic Bank PJSC | Investor | 469,173 | 456,916 |
| Deyaar Development PJSC | Investor | 51,598 | 51,598 |
| Tecom Investments LLC | Investor | 114,293 | 112,415 |
| Dubai Properties LLC | Investor | 296,991 | 292,110 |
| Vintage Bullion DMCC | Investor | 349,886 | 349,886 |
| EFG Hermes Holding SAE | Investor | 64,095 | - |
| Alsayed Abdulla Alsayed Mohamed Al Hashemi | Investor | 45,497 | - |
| Singapore Enterprises Private Limited | Investor | 39,717 | - |
| Emirates NBD Bank PJSC | Investor | 68,740 | - |
| Others | Investor | 16,436 | - |
| | | 1,516,427 | 1,262,926 |

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

During 2013, the Fund issued 253,501 new investor shares (2012: 811,607 new investor shares) which increased the share capital and share premium to USD 151,642,700 (2012: USD 126,292,600) and USD 13,969,673 (2012: USD 6,530,526) respectively.

On 26 January 2014, shareholders approved the sub-division of each issued and unissued Investor Share of USD100 each in the capital of the Emirates REIT into 100 Investor Shares with a par value of USD1 each. Investor Shares were renamed Ordinary Shares. The total number of ordinary shares in issue following the share split was 151,642,600.

## 8 Corporate Ijarah

| | 2013 USD | 2012 USD |
|---|---|---|
| Current portion | 9,172,865 | 5,038,062 |
| Non-current portion | 96,390,108 | 56,650,154 |
| | 105,562,973 | 61,688,216 |

The corporate Ijarah facilities were obtained by the Fund to finance the acquisitions of investment properties. Under the Ijarah agreements, variable rental shall be paid by the Fund, and calculated at a rate of 3 months EIBOR + 3.0% per annum (minimum 5.5% per annum) and is payable in quarterly rental installments over 10 years.

The facilities are secured by the following:

- First Rank Legal Mortgages over financed properties in favour of the banks for USD 108,902,804 (AED 400,000,000).
- Assignment of comprehensive insurance over financed properties in favour of the bank.
- Assignment of rental income from financed properties in favour of the bank.

During the year, the Fund entered into new corporate Ijarah facilities amounting to USD 49,229,513 (AED 180,820,000) which were used to part fund the acquisition of GEMS World Academy.



Emirates REIT (CEIC) Limited
Annual Report 2013

## 9 Accounts Payable & Other Liabilities

| | 2013 USD | 2012 USD |
|---|---|---|
| Payable against investment property (a) | 10,467,564 | - |
| Rent received in advance | 2,216,761 | 1,527,764 |
| Service fee received in advance | 1,298,589 | 506,486 |
| Accrued expenses | 2,444,897 | 2,233,248 |
| Tenant deposits payable (b) | 2,670,187 | 1,865,657 |
| Management fee | 559,853 | - |
| Performance fee | 2,866,045 | 899,843 |
| Administration fee | 22,154 | 23,475 |
| Other payables | 42,904 | 63,047 |
| | 22,588,954 | 7,119,520 |

(a) Payable against investment properties amounting to USD 10,467,564 pertains to investment properties purchased by the Fund during the year (Note 4).

(b) Tenant deposits payable include an amount of USD 1,159,651 related to lease agreements for a period more than one year (2012: USD 1,675,734).

Included in the above accounts are balances due to related parties amounting to USD 4,086,747 (2012: USD 1,302,716) (note 12).

## 10 Zakat

Zakat is payable by the Shareholders based on their share of the net assets of the fund at the end of every reporting period. The Fund is not liable to pay Zakat.

# Emirates REIT (CEIC) Limited Notes to the Financial Statements

At 31 December 2013

## 11 Dividends

On 27 January 2013 and 25 June 2013, the Board of Directors of the Fund declared a dividend of USD 3 per Investor Share and USD 2 per Investor Share, respectively, for the year ended 31 December 2012. Dividends amounting to USD 4,159,341 were paid in cash to the shareholders while dividends amounting to USD 2,179,798 were settled by the issue of new Investor shares to the shareholders who elected to receive the dividend in the form of new shares.

On 2 May 2012, the Board of Directors of the Fund declared a dividend of USD 2.55 per Investor Share for the year ended 31 December 2011. Dividends amounting to USD 417,892 were paid in cash to the shareholders while dividends amounting to USD 732,025 were settled by the issue of new Investor shares to the shareholders who elected to receive the dividend in the form of new shares.

## 12 Related Party Balances & Transactions

Related parties represent the Fund manager, associated companies, Shareholders, directors and key management personnel of the Fund manager, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Fund's manager.

(a) Dubai Islamic Bank PJSC ("DIB") owns 30.94% of the issued share capital of the Fund at 31 December 2013 (31 December 2012: 36.2%). DIB also owns 25% of the issued share capital of the Fund Manager. Moreover, DIB is also a tenant of the Fund, renting retail branch space within one of the Fund's properties pursuant to a 15 year lease entered into on the acquisition of the Property by the Fund on 27 June 2011.

On 13 November 2013, the Fund agreed a USD 13,612,850 (AED 50,000,000) Musharaka with DIB. The funds are available for draw down for six months from the date of the facility agreement. The term of the Musharaka provides for a single payment of profit and principle in one bullet payment within twelve months of draw down. The profit rate is 3% over 12 month EIBOR subject to a minimum rate of 5.5%. Draw down under the facility agreement is subject to a number of conditions including registration of first degree mortgage over two of the Funds properties. A loan processing fee of 0.25% of the facility amount is payable on draw down. The facility is currently unutilised.

(b) Dubai Properties LLC owns 19.58% of the issued share capital of the Fund at 31 December 2013 (31 December 2012: 23.1%).

(c) Arkan Security Management Solutions LLC ("Arkan Security") is a subsidiary of Dubai Properties LLC. Arkan Security provides security services in respect of two of the properties held by the Fund pursuant to a security services agreement dated 19 September 2012.

(d) Dar Al Shariah Legal & Financial Consultancy LLC ("Dar Al Shariah") is a subsidiary of Dubai Islamic Bank ("DIB") which owns a 60% interest in the Company. Dar Al Shariah acts as an advisor to the Fund and Fund Manager on matters of Sharia.

(e) Deyaar Development PJSC ("Deyaar") holds 3.4% of the total issued share capital of the Fund as at 31 December 2013 (31 December 2012 : 4.1%). Dubai Islamic Bank ("DIB") is a major shareholder of Deyaar. A group company of Deyaar, Deyaar Facilities Management LLC, provides facility management services in respect of one of the properties held by the Fund under a facility management services agreement.

(f) Ejadah (Dubai Asset Management) is a subsidiary of Dubai Properties LLC and is also a tenant at one of the properties held by the Fund and have a five year lease that commenced on 1 May 2011 prior to the Funds acquisition of the property.

(g) Idama Facilities Management LLC ("Idama") is a group Company of Dubai Properties LLC and provides facility management services to the Fund in respect of the one of its properties pursuant to a facility management agreement entered into between the both the parties.

(h) Salwan LLC ("Salwan") is a subsidiary of Dubai Properties LLC. The Fund receives rental income from Salwan as a tenant of a property held by the Fund. Prior to the Funds acquisition of this property, Salwan entered into a 3 year lease on 26 April 2012 for 9,500 sq ft of office space

(i) TECOM Investments held 7.54% of the total issued share capital of the Fund as at 31 December 2013 (31 December 2012 : 8.9%). The Fund pays licence fees and community fees to TECOM Investments as master developer for Dubai Internet City in relation to Building 24 and the Loft Offices properties. The Fund is also party to the Project Management and Leasing Agreement ("PMLA") with TECOM Investments entered on 27 June 2011 in connection with the acquisition of one of the Fund's properties. The agreement requires the payment of 15% of the rent received by the Fund in respect of the property to be paid to TECOM Investments. The Fund also pays to TECOM Investments community fees and an amount equivalent to 50% of the value of the service charges charged by TECOM Investments relating to the property pursuant to a circular issued by TECOM Investments to the Fund on 16 May 2011. The PMLA was entered into prior to TECOM Investments becoming a Shareholder of the Fund.

(j) Taziz Property Management Solutions ("Taziz") is a subsidiary of Dubai Properties LLC and were the incumbent property manager for a property at the time of its acquisition by the Fund. Amounts disclosed in the year to 31 December 2012 are in relation to property management fees up to the point of their replacement as property manager in September 2012.

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

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

The transactions with related parties included in the statement of comprehensive income are as follows:

| | Classification | 2013 USD | 2012 USD |
|---|---|---|---|
| Income: | | | |
| Ejadah (Dubai Asset Management) | Rental income | 328,545 | 168,485 |
| Salwan | Rental income | 283,471 | 124,716 |
| Dubai Islamic Bank | Rental income | 160,888 | 210,466 |
| Dubai Islamic Bank | Service income | 42,946 | - |
| | | 815,850 | 503,667 |

| | Classification | 2013 USD | 2012 USD |
|---|---|---|---|
| Expense: | | | |
| Emirates REIT Management Limited | Management fee | 3,778,314 | 1,764,662 |
| Emirates REIT Management Limited | Performance fee | 1,966,202 | 780,921 |
| Idama Facility Management | Property expense | 468,237 | 435,101 |
| Arkan Security Management Solutions | Property expense | 239,449 | 122,897 |
| Deyaar Facility Management L.L.C. | Property expense | 162,350 | 116,804 |
| Taziz Property Management Solutions | Property expense | - | 29,676 |
| TECOM Investments | Property expense | 757,710 | 703,347 |
| Dar Al Shariah Legal & Financial Consultancy L.L.C | Administrative expense | 58,159 | - |
| | | 7,430,421 | 3,953,408 |

At the reporting date, amounts due from related parties were as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Dubai Islamic Bank | - | 50,222 |
| Ejadah (Dubai Asset Management) | 28,124 | - |
| TECOM Investments | - | 97,968 |
| | 28,124 | 148,190 |





At the reporting date, amounts due to related parties were as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Dubai Islamic Bank | 79,783 | 79,783 |
| Arkan Security Management Solutions | 32,970 | 52,859 |
| Dar Al Shariah Legal & Financial Consultancy L.L.C. | 31,808 | - |
| Deyaar Facility Management L.L.C. | 58,845 | 35,781 |
| Ejadah (Dubai Asset Management) | - | 26,785 |
| Idama Facility Management | 150,899 | 110,831 |
| Salwan | 160,830 | - |
| TECOM Investments | 145,714 | 96,834 |
| Emirates REIT Management Limited | 3,425,898 | 899,843 |
| | 4,086,747 | 1,302,716 |

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

The Performance fee is payable annually in arrears, after the date on which the Fund's shares are listed on a recognised stock exchange, to the Fund 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 payable after listing is calculated at 5% on the increase in net asset value per share from the base net asset value per share of USD 100 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 Fund 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 2013, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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 2013, there are no transactions with key management personnel as the Fund is managed by the Fund Manager for which a Fund Management fee is paid.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 13 Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Fund 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 7 that became effective on 26 January 2014. Earnings per share have been presented on the basis that the share split took place at the beginning of each respective reporting period.

| | 2013 USD | 2012 USD |
|---|---|---|
| Net profit attributable to ordinary equity holders of the Fund | 34,846,155 | 10,895,413 |
| Weighted average number of ordinary shares for basic earnings per share | 132,625,824 | 72,644,223 |

The Fund did not issue any instruments which would have a diluted effect on earnings per share when exercised.

## 14 Commitments & Contingencies

### Commitments

At 31 December 2013, the Fund had no commitments.

### Contingencies

At 31 December 2013, the Fund had no contingent liabilities.

### Operating lease commitments – Fund as lessee

The Fund has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 29.8 years (2012: Nil) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the Fund by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013 and 31 December 2012 are as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Within one year | 1,001,056 | - |
| After one year but not more than five years | 4,004,225 | - |
| More than 5 years | 24,025,353 | - |
| | 29,030,634 | - |





### Operating lease commitments – Fund as lessor

The Fund has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 9.8 years (2012: 1.3 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the Fund by entering into these leases.

Future minimum rentals receivables under non-cancellable operating leases as at 31 December 2013 and 31 December 2012 are as follows:

| | 2013 USD | 2012 USD |
|---|---|---|
| Within one year | 28,865,650 | 21,623,705 |
| After one year but not more than five years | 76,351,798 | 56,861,988 |
| More than 5 years | 250,752,356 | 4,795,841 |
| | 355,969,804 | 83,281,534 |

## 15 Financial Risk Management Objectives & Policies

The Fund's principal financial liabilities comprise corporate Ijarah facilities and trade payables. The main purpose of these financial instruments is to fund the purchase of investment properties and to finance the Fund's operations. The Fund 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 Fund's financial instruments are profit rate risk, foreign currency risk, credit risk, and liquidity risk. The Fund manager reviews and agrees policies for managing each of these risks which are summarised below:

### Profit rate risk

The Fund's exposure to the risk of changes in market profit rates relates primarily to the Fund's corporate Ijarah facility with floating rates and Wakala deposits. Profit rate on financial instruments having floating rates is re-priced at intervals of less than one year and profit rate on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Fund's exposure to market risk for changes in profit rate environment relates mainly to its bank borrowings and Wakala deposits. The Fund's Ijarah facilities are priced at a variable rate subject to a minimum rate of 5.5%. Historically, the variable rates did not exceed the minimum rate and therefore, finance costs were calculated based on the minimum rate. The management does not believe that the Fund is exposed to any significant profit rate risk on its Ijarah facilities as it does not expect the variable rate to exceed the minimum rate within twelve months.

The Fund is not exposed to any profit rate risk on its Wakala deposit as the Wakala deposit rate is fixed over the Wakala term.

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

### 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 Fund'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 Fund is not considered to be exposed to any significant currency risk.

### Credit risk

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

Tenants - The Fund 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 for credit worthiness at the time of entering a lease. The Fund Manager engages external property management agents to manage the payment of rents by tenants. The Fund 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 Fund 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 Fund is that it may have insufficient cash or cash equivalent resources to meet its financial obligations as they fall due. The Fund actively manages liquidity risk by monitoring actual and forecast cash flows and by maintaining adequate cash reserves.





The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments.

At 31 December 2013

| | On demand USD | Less than 3 months USD | 3 to 12 months USD | 1 to 5 years USD | Over 5 years USD | Total USD |
|---|---|---|---|---|---|---|
| Corporate Ijarah facilities | - | 3,517,296 | 11,156,796 | 59,863,430 | 61,141,270 | 135,678,791 |
| Accounts payable & other liabilities | - | 14,047,440 | 6,316,642 | 1,427,811 | 76,638 | 21,868,53 |
| Total undiscounted financial liabilities | - | 17,564,736 | 17,473,438 | 61,291,241 | 61,217,908 | 157,547,322 |

At 31 December 2012

| | On demand USD | Less than 3 months USD | 3 to 12 months USD | 1 to 5 years USD | Over 5 years USD | Total USD |
|---|---|---|---|---|---|---|
| Corporate Ijarah facilities | - | 2,089,190 | 6,276,791 | 33,845,917 | 37,017,952 | 79,229,850 |
| Accounts payable & other liabilities | - | 3,554,413 | 838,445 | 2,491,620 | 116,165 | 7,000,643 |
| Total undiscounted financial liabilities | - | 5,643,603 | 7,115,236 | 36,337,537 | 37,134,117 | 86,230,493 |

### Capital Management

The primary objective of the Fund's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

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

Capital comprises share capital, share premium and retained earnings and is measured at USD 205,058,188 as at 31 December 2013 (2012: USD 143,761,924).

The Fund is required by DFSA regulation to limit borrowing to a maximum of 70% of net asset value. As of 31 December 2013, borrowing as a percentage of net asset was 51.5% (2012: 42.9%).

# Emirates REIT (CEIC) Limited
# Notes to the Financial Statements

At 31 December 2013

## 16 Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Fund's investment properties:

| | Date of valuation | Quoted prices in active markets (Level 1) USD | Significant observable inputs (Level 2) USD | Significant unobservable inputs (Level 3) USD | Total USD |
|---|---|---|---|---|---|
| Investment properties | 31 Dec 2013 | - | 18,037,027 | 305,093,929 | 323,130,956 |
| Investment properties | 31 Dec 2012 | - | - | 167,601,416 | 167,601,416 |

## 17 Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Fund include bank balances and cash, receivables and certain other assets. Financial liabilities of the Fund include corporate Ijarah 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.

## 18 Subsequent Events

Sub-division of shares

On 26th January 2014, shareholders approved the sub-division of each issued and unissued Investor Share of USD100 each in the capital of the Emirates REIT into 100 Investor Shares with a par value of USD1 each as detailed in note 7 and note 13.



# Disclaimer

This Annual Report is issued by Emirates REIT Management (Private) Limited (the "REIT Manager").

The Annual Report, which does not purport to be comprehensive, has been provided by the REIT Manager and has not been independently verified. While this information has been prepared in good faith, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by the REIT Manager or the REIT or any of their respective officers, employees or agents as to or in relation to the accuracy, reliability or completeness of this Annual Report or any other written or oral information made available to any interested party or its advisers and any such liability is expressly disclaimed. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the achievement or reasonableness of any future projections, management estimates, prospects or returns contained in this Annual Report or in such other written or oral information. The recipient acknowledges and agrees that no person has nor is held out as having any authority to give any statement, warranty, representation, or undertaking on behalf of the REIT.

This document is to be used as a basis for continued discussions, and does not constitute an offer or invitation in respect of investment in the REIT nor does it represent a commitment of the REIT Manager or any of their subsidiaries and affiliates in any manner. All information contained in this Annual Report is qualified by the REIT's prospectus and the recipient(s) should consider the REIT's investment objectives, risks, charges and expenses carefully before investing in the securities. No information set out or referred to in this Annual Report shall form the basis of any contract. The information and opinions contained in this Annual Report are not intended to be the sole basis upon which the implementation of any investment decisions can be based.
It is therefore advisable for the recipient(s) to make its/their own judgement and assessment of all the information.

This Annual Report is confidential and may not be reproduced (in whole or in part) nor summarised or distributed without the prior written permission of the REIT Manager.

Emirates REIT Management (Private) Limited is regulated by the Dubai Financial Services Authority (DFSA). The preparation of this Annual Report is not tailored to the specific investment objectives, financial situation or needs of any specific person or entity who may receive this material. Recipients should receive independent financial advice regarding the appropriateness of investing in any securities, financial instrument or investment strategy discussed in this Annual Report. This Annual Report does not constitute Advice as defined by the DFSA.

By accepting this Annual Report, the recipient agrees to be bound by the foregoing limitations.

Under no circumstances should the REIT be contacted directly. All enquiries relating to this Annual Report, the Specified Purpose or any other transaction involving the shares in, or business or assets of, the REIT should be directed to:

Address: PO Box 482015, Dubai, UAE
Tel: +971 4 405 REIT (7348)
Email: ir@reit.ae

If you have not received this document directly from the REIT Manager, your receipt is unauthorised.
Please return this document to the REIT Manager immediately.

# Contact Details

Emirates REIT Management (Private) Limited
DIFC, Gate Village 4, Level 5
PO Box 482015
Dubai United Arab Emirates.

Phone: +971 (0) 4 05 REIT (7348)
www.reit.ae

Invertor Relations: Magali Mouquet
Email: ir@reit.ae

Senior Executive Officer: Hannah Jeffery
Email: hannah@reit.ae

Chief Financial Officer: James Anderson
Email: james.anderson@reit.ae

Executive Deputy Chairman: Sylvain Vieujot
Email: sylvain@reit.ae