



H 1 R E P O R T
2019

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AT A GLANCE
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CHAIRMAN'S MESSAGE



Abdulla Al Hamli — Chairman

Dear Shareholders,
We are pleased to report
Emirates REIT's half-year results 2019

The first half of 2019 has demonstrated stability in the portfolio and resilience during the current challenging market conditions.

Net property income increased by 9.1% compared to the same period last year, which led to an increase of EBITDA by 13.5%.

KEY HIGHLIGHTS

- The REIT paid a total annual dividend of USD 0.08 per share
- Net Property Income grew by 9.1% to a total of USD 29.5m for the six month period (H1 2018: USD 27.0m)
- Fund expenses decreased by 5.0% to USD 8.8m (H1 2018: USD 9.3m)
- EBITDA increased by 13.5% to USD 20.2m (H1 2018: USD 17.8m), including the impact of IFRS 16
- Net cash generated from operating activities increased by USD 7.2m to USD 18.6m (H1 2018: USD 11.4m)
- FFO per share remained unchanged at USD 0.02, reflecting stability over same period last year
- Revaluation losses of USD 5.0m during this accounting period compare favourably to market benchmarks. This demonstrates the resilience of the portfolio and the security the REIT enjoys due to the signed long term leases
- Index Mall is operational with most shops opening during Q4 2019

FINANCIAL ACHIEVEMENTS

Emirates REIT's portfolio value reached USD 994.0m, a year-on-year increase of 8.9% (H1 2018: USD 913.6m), driven by solid growth in occupancy at Index Tower. The Net Asset Value is at USD 1.66 per share, or USD 497.1m

(H1 2018: USD 1.76 per share or USD 526m) with two dividend distributions totalling USD 0.08 per share (USD 24.0m), paid in January and June 2019. As at 30 June 2019, the LTV stands at 47.1%.

OPERATIONAL UPDATES

During the period, rental income continued to rise by 6.1% to USD 31.0m (H1 2018: USD 29.2m) primarily driven by the increase in Index Tower revenues.

The negotiations with several new operators for the DIP school are progressing.

The REIT continues to grow its income and remains resilient in face of some headwinds in the real estate sector in the UAE. We took the opportunity to review our property operations, focus our efforts on cost effectiveness, and being hands-on to ensure we can seize all possible revenue and cost efficiency opportunities.

The REIT is committed to grow by investing in attractive assets to complement its existing portfolio of income producing buildings, ensuring we continue to deliver sustainable long-term results for our Shareholders.

We believe the declining interest rate environment creates a great opportunity for the REIT's continued growth in the next 18 months.

Abdulla Al Hamli
Chairman

H1 2019 IN BRIEF

PORTFOLIO VALUE

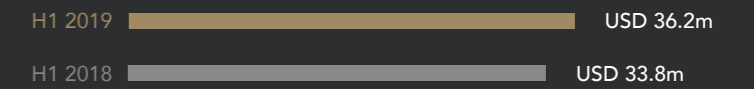
USD **994m**
AED 3.6bn

NET ASSET VALUE

USD **497m**
AED 1.8bn

TOTAL PROPERTY INCOME

+7.0%



NET LEASABLE AREA

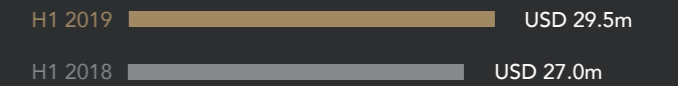
2.4m SQ. FT.
223,274 sq m

WEIGHTED AVERAGE LEASE EXPIRY

7.9 YEARS

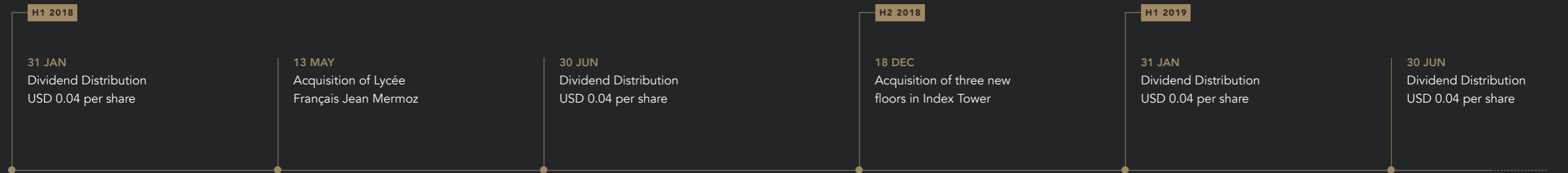
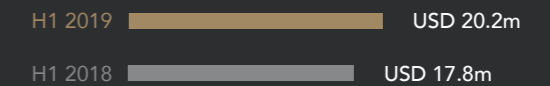
NET PROPERTY INCOME

+9.1%



EBITDA

+13.5%



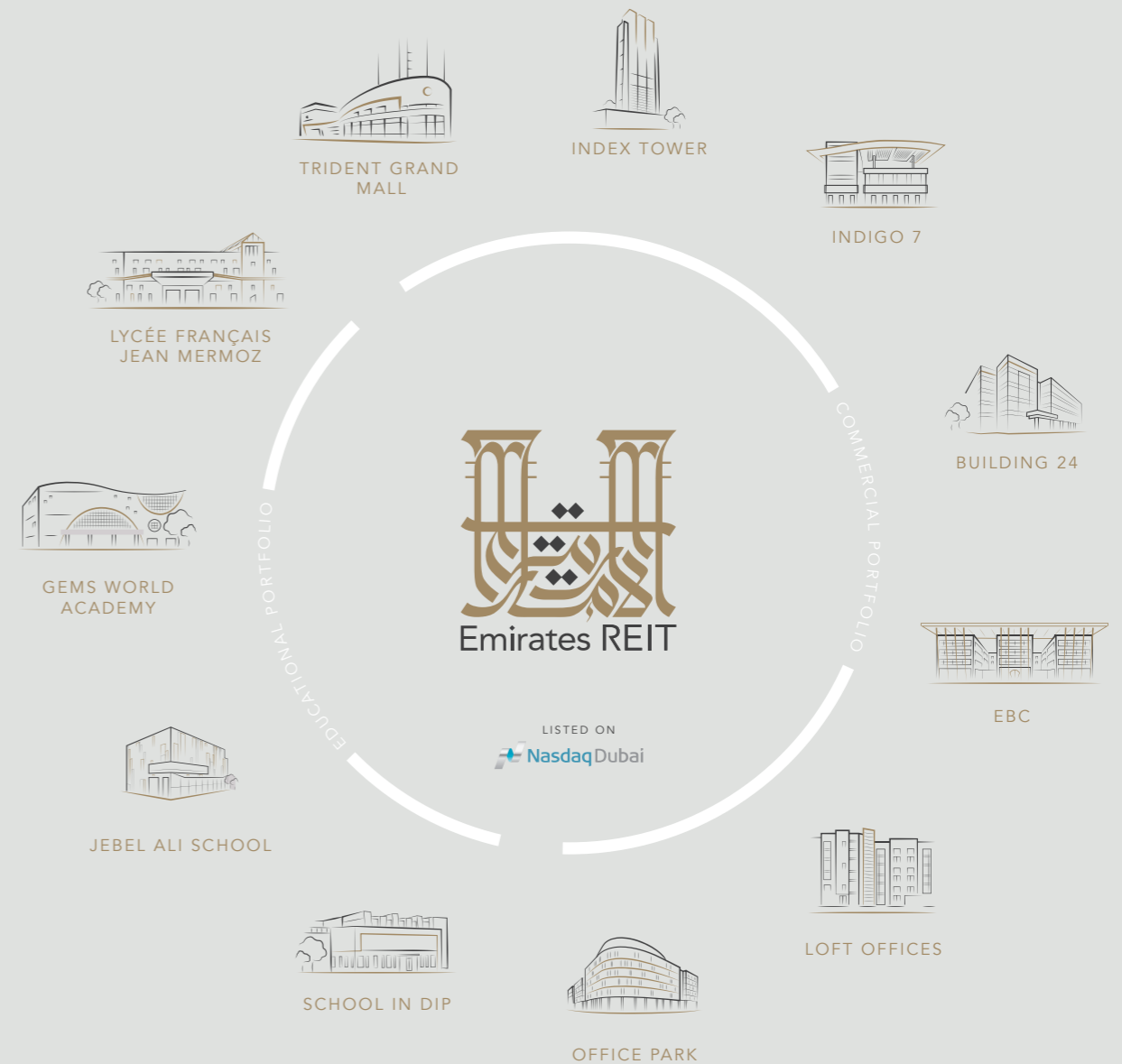
REIT IN BRIEF

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

PERFORMANCE



EMIRATES REIT PORTFOLIO

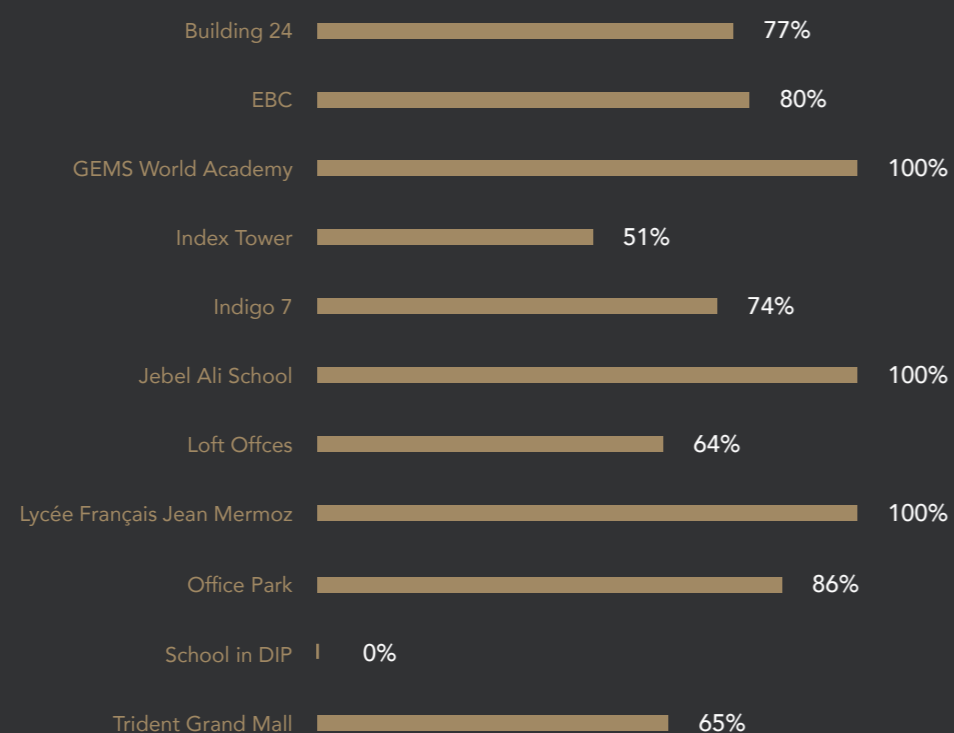


PORTFOLIO OCCUPANCY

TOTAL OCCUPANCY

75%

81% excluding School in DIP



INCOME AND EARNINGS

Period ended 30 June

USD '000	2019	2018	VARIANCE	% VARIANCE
Total property income	36,206	33,845	2,361	7.0%
Net property income	29,553	27,075	2,478	9.1%
Operating profit	20,178	17,779	2,399	13.5%
Net finance cost ¹	(14,008)	(10,315)	(3,693)	(35.8%)
Unrealised gain/(loss) on revaluation ¹	(5,037)	21,255	26,292	(123.7%)
Net profit	1,133	28,719	(27,586)	(96.1%)
EPS (USD)	0.004	0.096	(0.092)	(96.1%)

¹ Including impact of IFRS 16.

STATEMENT OF FINANCIAL POSITION

USD '000	AS AT 30 JUNE 2019	AS AT 31 DEC 2018	VARIANCE	% VARIANCE
Investment property	993,979	939,936	54,043	5.7%
Total assets	1,097,615	1,009,690	87,925	8.7%
Equity	497,167	520,004	(22,837)	(4.4%)
Liabilities	600,448	489,686	110,762	22.6%
NAV per share (USD)	1.66	1.74	(0.08)	(4.6%)
LTV	47.1%	45.9%	1.2%	—
Net cash from operating activities	18,577	11,417	7,160	62.7%

INTERNATIONAL RECOGNITION

- **Best Real Estate Deal of the Year**
Award for the issuance of
Emirates REIT's five-year sukuk 2018
Islamic Finance News by RedMoney Group
- **Best REIT GCC 2018**
Arabian Business Magazine
- **Best REIT Manager MENA 2018**
Bankers Middle East CPI Finance
- **Sukuk of the Year – Bankers Middle East
CPI Finance 2018**
Bankers Middle East CPI Finance
- **Global 100**
Best REIT in UAE 2019





02
PORTFOLIO

Commercial

Index Tower

Office Park

Loft Offices

Building 24

Indigo 7

European Business Centre

Trident Grand Mall

Education

Lycée Français Jean Mermoz

GEMS World Academy

Jebel Ali School

School in DIP

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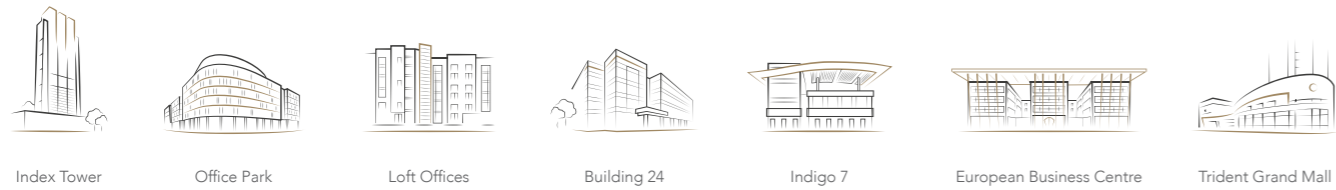
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COMMERCIAL



VALUATION

74%

SHARE OF PORTFOLIO

NLA

59%

SHARE OF PORTFOLIO

INCOME

73%

SHARE OF PORTFOLIO

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

As at 30 June 2019, the value of the commercial portfolio totalled USD 700.8m.*

Whilst market conditions remained challenging in the Dubai commercial real estate market, income has remained stable.

The performance was driven by solid growth in the REIT's flagship property Index Tower. Index occupancy increased to 51%, being a 20% year-on-year increase and representing a 33% growth in passing income.

The opening of Index Mall was a key milestone. Outlets are progressively opening in time for the opening of DIFC Gate Avenue. Of the 33 units in the mall, 14 outlets are now leased.

During the period, various office fit-outs have been completed at Index as well as a property improvement plan across the portfolio.

Emirates REIT's commercial portfolio continues to demonstrate strong resilience in a softening real estate market and is set to achieve further potential as Index continues to deliver strong growth.

* Market value





INDEX TOWER



Located in the Dubai International Financial Centre (DIFC) area, Index Tower is a breathtaking and iconic 80-storey building.

Built by award-winning architects Foster & Partners, this tower has won accolades including being named “Best Tall Building Middle East & Africa” by the Council on Tall Buildings and Urban Habitat in 2011.

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

The REIT freehold interests in Index Tower were acquired in various phases during 2013, 2014 and 2018, now consisting of 367,285 sq. ft. of office space, 1,561 car park spaces, and 61,428 sq. ft. of retail space. Occupancy has increased to 51% in June 2019, reflecting the growing interest and popularity of the tower.

The property's prime location, the integrated Index Mall, and its future connection with DIFC's Gate Avenue will create a vibrant lifestyle epicentre, synonymous with capital appreciation and strong rental growth.



OFFICE PARK



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

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

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

The Office Park ground floor retail area continues to expand as a vibrant hub for the surrounding community, featuring restaurants, coffee shops, a supermarket and other convenience stores. Equitativa's management has set up the foundations for rental growth and continuously undertakes enhancement and upgrades of common areas.



LOFT OFFICES



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

The property is a unique proposition providing duplex office spaces, featuring a central courtyard and retail space; thus creating a unique and ideal environment for creative companies and startups.

Acquired on a freehold ownership title by Emirates REIT in December 2011, the premises is comprised of a total leasable area of 163,869 sq. ft.

Equitativa is actively managing the property to improve operational efficiencies while enhancing marketability and attracting new tenants.



BUILDING 24



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

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

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

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



INDIGO 7



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

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

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

Indigo 7's operational performance remains robust and is a mature asset within the portfolio.



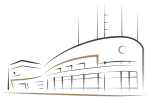
EUROPEAN BUSINESS CENTRE



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

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

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



TRIDENT GRAND MALL



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

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

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

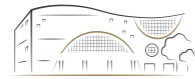
The REIT Manager is undergoing the repositioning of the asset, which includes renovations and improving the tenant mix.



EDUCATION



Lycée Français Jean Mermoz



GEMS World



Jebel Ali School



School in DIP

VALUATION

26%

SHARE OF PORTFOLIO

NLA

41%

SHARE OF PORTFOLIO

INCOME

27%

SHARE OF PORTFOLIO

Emirates REIT education portfolio comprises of 4 school complexes.

As of 30 June 2019, the market value of the education portfolio totalled USD 252.1m.*

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

The school in DIP remains vacant as management takes a long term view and seeks to secure a tenant with solid backing and sound financial capabilities.

The REIT's acquisition of Lycée Français Jean Mermoz (acquired May 2018) has had a very positive start with the school currently operating at full capacity. An extension of LFJM is due to commence during H2 2019 to cater for growth and accommodate for secondary students in 2020.

Whilst the UAE education sector offers huge potential for business growth, the market has opened 13 private schools in Dubai in 2018. Boston Consulting Group estimated that the UAE's private K-12 education will increase from USD 4.4bn (AED 16.2bn) in 2017 to USD 7.1bn (AED 26bn) by 2023.

* Market value





LYCÉE FRANÇAIS JEAN MERMOZ

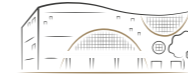


Emirates REIT acquired Lycée Français Jean Mermoz (LFJM) in May 2018 on a sale and leaseback basis.

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

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

The extension of LFJM will commence during H2 2019 to accommodate for secondary classes from 2020.



GEMS WORLD ACADEMY



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

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

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

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



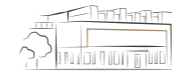
JEBEL ALI SCHOOL



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

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

The campus was built on a 358,454 sq. ft. plot in the Akoya Development of Dubailand in August 2015. At its full capacity, the school is set to accommodate 1,800 students. The demand remains steadily fuelled by the completion of surrounding residential developments and communities such as Akoya, Arabian Ranches, Mudon, Motor City and Dubai Sports City.



SCHOOL IN DIP



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

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



03
GOVERNANCE

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EQUITATIVA'S REPORT

The Directors present their report for the six months ended 30 June 2019

SHARE CAPITAL

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

At 30 June 2019, the Company's issued share capital comprised a total of 299,620,541 ordinary shares of USD 0.714 each. The REIT has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regards to control of the company. There are no restrictions on the size of a holding.

REIT MANAGER

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

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

The type of investments which can be undertaken by the REIT currently include investments in real property, property related assets, shares or units in another property fund and up to a maximum of 40% in cash, government or public securities. The REIT has in place a strict process for any acquisition or disposal of assets, including but not limited to the consent of the Investment Board and the Shari'a Supervisory Board. In case of a Related Party Transaction, the Oversight Board will also provide its consent.

SPECIAL DECREES

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

MANAGEMENT STRATEGY

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

Disciplined Acquisition Strategy

The REIT will continue to pursue acquisitions with the aim of improving income stability and overall returns. Since the incorporation of the REIT, Equitativa's team has evaluated around 1000 investment opportunities thereby ensuring their knowledge of the market is comprehensive and allows timely reactions to changes in market conditions.

Active Asset Management Strategy

The portfolio of the REIT is actively managed, with the aim of delivering regular returns to the shareholders. Active management is focused on enhancing rental revenues and improving



operational efficiencies which in turn may contribute to enhanced revenue and market valuations. Equitativa works closely with the property managers appointed to the buildings to optimise the REIT's portfolio performance. Equitativa applies the following key operating and management principles:

- Monitor the performance of the properties
- Optimise the net leasable area of the properties where possible
- Establish close relationships with tenants and brokers and proactively manage leases
- Increase property yields and dynamic rental rates
- Enhance the overall operating efficiency of the Portfolio

RISK PROFILE

The REIT's risk appetite is conservative and is not expected to increase as a result of any projected strategic changes in the foreseeable future. The Portfolio has a relatively low and well-balanced risk profile benefiting from diversification across asset classes and long-term leases with a weighted average lease term of 7.9 years as at 30 June 2019. Notably, 12% are expiring by end 2020, with a turnover of 4% in the next 6 months.

To maintain a strong financial position, the REIT seeks to adopt a prudent capital and financial management strategy. This ensures continuous access to funding while maintaining stable dividend distributions. The REIT's continued performance is subject to, amongst other things, the conditions of the property market in the UAE, which can affect both the value and the rental income of properties in the portfolio. Any deterioration in the property market could result in declines in rental income, occupancy and value of the properties. It may also weaken the REIT's ability to obtain financing for new investments. These factors may have a material adverse effect on the REIT's financial condition, business prospects and results of operations. The REIT will operate within the parameters defined by its Boards and as guided by the Shareholders, at all times conforming to the investment policy.

RISK MANAGEMENT STRATEGY

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

- managing the risks associated with the properties by balancing the Portfolio and

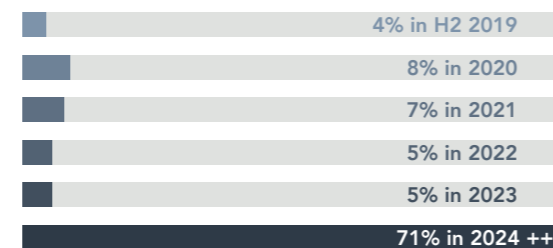
focusing on acquiring properties of best fit with attractive lease terms and strong covenants;

- using Shari'a compliant debt financing as an attempt to provide additional capital, improving Shareholder returns over the long term (where such Shari'a debt financing is appropriate) and ensuring that the gearing does not exceed 65%* of the Gross Asset Value;
- continually revisiting lines of credit and assessing a variety of possible financing structures
- actively considering opportunities to raise funds through various means, including but not limited to, the issue of new Shares.

PORTFOLIO RISK

The portfolio has a well-balanced risk profile. Asset classes are diversified and leased over long periods.

As of 30 June 2019, the weighted average lease expiry is 7.9 years, with 12% of the leases expiring by end 2020 and 7% by the following year.



SHAREHOLDING

The maximum limit of 49% of non-GCC ownership is monitored by both Equitativa and Nasdaq Dubai. Public notification via the regulatory announcement platform will be made if the non-GCC shareholding nears 49%. At 30 June 2019, the non-GCC shareholding was at 32%.

As at 30 June 2019, the following shareholders held 5% or more of the REIT's issued share capital:

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

* Modification notice W570/2018

REAPPOINTMENT OF VALUERS

In the first quarter of 2019, the REIT Manager put out to tender the appointment of a valuer on the REIT's valuation panel. The received proposals were evaluated on the basis of five criteria; valuation time-frame, level of insurance coverage, methodology employed, relevant skills & experience, and schedule of pricing. Upon evaluation of the received proposals, the proposal submitted by Asteco was determined to have best satisfied the evaluation criteria. On 28 March 2019, Equitativa reappointed Asteco for a further period of 5 years.

2019 ANNUAL GENERAL MEETING

The 2019 Annual General Meeting ("AGM") was held on Wednesday 19 June 2019. The following is a summary of the matters that were approved during the AGM. For further information, please refer to the 2019 AGM pack, available on our website.

Amendment to Articles

In the 2019 AGM, the shareholders approved the updating of the Articles of Association to reflect the change of name of the REIT to Emirates REIT (CEIC) PLC following the new companies law regime which was introduced by the Dubai International Financial Centre (DIFC) in November 2018.

Related Party Transactions

The shareholders authorized the REIT (and the REIT Manager on behalf of the REIT) to enter into transactions with Related Parties regarding the sale & purchase of real estate in the UAE, in accordance with DFSA Rules.

Annual Report and Accounts for 2018

The shareholders received and approved the 2018 Annual Report and the accounts for the REIT for the year ended 31 December 2018, together with the Director's Report and Auditor's Report on those accounts.

Purchase of Own Shares

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

- any purchase of ordinary shares must be in accordance with the rules and regulations of the DFSA and Nasdaq Dubai; and

- the ordinary shares must be purchased prior to the 2020 AGM, unless a contract to purchase any such ordinary shares was completed before the commencement of the 2020 AGM. The REIT's authority in this respect will expire at the conclusion of the 2020 AGM and a resolution will be proposed to seek further authority until the closure of the next AGM.

Investment Board

In accordance with the REIT's constitution and pursuant to DFSA regulations, the appointment of: Mr Abdulla Al Hashemi and Captain David Savy both existing members of the REIT's Investment Board, was extended, until the conclusion of the 2020 AGM.

Following Mr. Marwan Bin Ghulaita's retirement from the Investment Board effective from the conclusion of the 2019 AGM, the Shareholders approved the appointment of Mr. Mohamed Sharaf until the conclusion of the 2020 AGM.

Auditors

At the Extraordinary General Meeting held on 19 June 2019 especially for the purpose of appointing an Auditor, Deloitte & Touche (M.E) were appointed as Auditors to the REIT until closing of the 2020 AGM.

Interim Dividend

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

Final Dividend

The Board of the REIT had recommended that a final dividend of USD 0.04 per ordinary share, for the financial year ending 31 December 2018, be paid to the shareholders of the REIT. The shareholders of the REIT, having reviewed the recommendation of the Board and assessed that the REIT had sufficient retained earnings relating to the 2018 financial year and was able to pay its debts as they become due immediately after the dividend is paid, approved the payment of the final dividend.

CORPORATE GOVERNANCE

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

MANAGEMENT BOARD

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

INVESTMENT BOARD

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

It is comprised of Mr. Mohamed Sharaf, Mr. David Savy and Mr. Abdulla Al Hashemi. Mr. Mohamed Sharaf was appointed at the AGM following the retirement of Mr. Marwan Bin Ghulaita from the Investment Board.

Mr. David Savy and Mr. Abdulla Al Hashemi were both re-appointed for another year at the REIT's 2019 AGM.

OVERSIGHT BOARD

The Oversight Board is responsible for reviewing and advising the Management Board on Equitativa's internal systems and controls, the safe

keeping of fund properties, risk management and compliance with the Laws, Rules and Constitution of the REIT.

The Oversight Board is comprised of Mr. Suresh Kumar, Mr. Fahad Kazim and Mr. Mustafa Al Hashimi.

ADVISORY BOARD

The Advisory Board provides expert strategic advice and assistance to the REIT on the current state of the real estate market, together with opinions and views on recent trends and developments. The Advisory Board members may additionally also provide specific ad-hoc advice in relation to various projects, as required. The Advisory Board members are Mr. Khalid Al Malik, Mr. Michael Wunderbaldinger and Mr. Kunal Bansal.

SHARI'A BOARD

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

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



SHARI'A COMPLIANCE CERTIFICATE

Issued by the Shari'a Supervisory Board of Emirates REIT (CEIC) PLC (The "REIT") as at 30 June 2019

SUBJECT OF THIS CERTIFICATE

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

SHARI'A SUMMARY OF THE REIT

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

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

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

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

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

REFERENCE FOR THIS CERTIFICATE

The Shari'a Supervisory Board of the REIT has examined the Half-Yearly Report of Shari'a Review conducted by Dar Al Shari'a Limited (the "Dar Al Shari'a") on the REIT for the period commencing from 1 January 2019 and ending on 30 June 2019 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

SHARIA REVIEW OF THE REIT BY THE SHARIA SUPERVISORY BOARD

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

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

PRONOUNCEMENT BY SHARI'A SUPERVISORY BOARD OF THE REIT

We, the Shari'a Supervisory Board of the REIT, as of 30 June 2019, hereby pronounce our opinion as follows:

- a. The Activities and Transactions executed by the REIT during the period commencing from 1 January 2019 and ending on 30 June 2019 (as reviewed by Dar Al Shari'a pursuant to the Shari'a Review Report) were carried out in accordance with the rules and principles of Shari'a.
- b. The distribution of profits and losses complies with the basis approved by us in accordance with the principles of Shari'a.
- c. All income achieved from the Activities and Transactions were in line with principles of Shari'a.
- d. All of the tenants of the properties currently owned by the REIT are in line with the principles of Shari'a.
- e. All of the REIT's financing is in accordance with the principles of Shari'a.
- f. All contracts, including leases are in accordance with the principles of Shari'a.
- g. Since the management of the REIT is not authorized to pay Zakat directly, the responsibility of paying Zakat is that of the shareholders.

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



04
**FINANCIAL
STATEMENTS**

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EMIRATES REIT (CEIC) PLC

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	AS AT 30 JUNE 2019 USD '000 UNAUDITED	AS AT 31 DEC 2018 USD '000 AUDITED
ASSETS			
	Non-current assets		
	Investment properties	993,979	939,936
	Trade and other receivables	22,618	19,809
		1,016,597	959,745
	Current assets		
	Trade and other receivables	12,823	11,770
	Cash and cash equivalents	68,195	38,175
		81,018	49,945
	Total assets	1,097,615	1,009,690
EQUITY			
	Share capital	299,621	299,621
	Share premium	59,393	59,393
	Retained earnings	138,153	160,990
	Total equity	497,167	520,004
LIABILITIES			
	Non-current liabilities		
	Sukuk financing instrument	397,976	397,710
	Islamic financing	112,941	56,968
	Lease liability	51,351	—
		562,268	454,678
	Current liabilities		
	Islamic financing	5,888	8,952
	Lease liability	3,974	—
	Trade and other payables	28,318	26,056
		38,180	35,008
	Total liabilities	600,448	489,686
	TOTAL EQUITY AND LIABILITIES	1,097,615	1,009,690
	Net asset value (USD)	497,166,751	520,004,000
	Number of shares	299,620,541	299,620,541
	Net asset value USD per share	1.66	1.74

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE	
		2019	2018
		USD'000 UNAUDITED	USD'000 UNAUDITED
Rental income		30,968	29,198
Service fee income		4,964	4,408
Other property income		274	239
		36,206	33,845
Property operating expenses		(6,653)	(6,770)
Net property income		29,553	27,075
Expenses			
Management fee	15	(7,827)	(7,042)
Performance fee	15	(28)	(891)
Board fees		(197)	(169)
Allowance for expected credit loss	7	(545)	—
Other expenses		(778)	(1,194)
Operating Profit		20,178	17,779
Finance income/(costs)			
Finance costs	16	(14,008)	(10,532)
Finance income	16	—	217
Net finance costs		(14,008)	(10,315)
Profit before fair valuation of investment properties		6,170	7,464
Net unrealised (loss)/gain on revaluation of investment property	6	(5,037)	21,255
Profit and total comprehensive income for the period		1,133	28,719
Earnings Per Share			
Basic and diluted Earnings Per Share (USD)	17	0.004	0.096

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
		USD' 000	USD' 000	USD' 000	USD' 000
At 1 January 2018		299,621	59,393	162,634	521,648
Comprehensive income					
Profit and total comprehensive income for the period		—	—	28,719	28,719
Transactions with shareholders					
Cash dividends	14	—	—	(23,970)	(23,970)
At 30 June 2018 (Unaudited)		299,621	59,393	167,383	526,397
At 1 January 2019		299,621	59,393	160,990	520,004
Comprehensive income					
Profit and total comprehensive income for the period		—	—	1,133	1,133
Transactions with shareholders					
Cash dividends	14	—	—	(23,970)	(23,970)
At 30 June 2019 (Unaudited)		299,621	59,393	138,153	497,167

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	FOR THE SIX MONTHS ENDED 30 JUNE	
		2019	2018
		USD'000 UNAUDITED	USD'000 UNAUDITED
Operating Activities			
Profit for the period		1,133	28,719
Adjustments for:			
Net unrealised loss/(gain) on revaluation of investment property	6	5,037	(21,255)
Finance cost	16	14,008	10,532
Finance income	16	—	(217)
Allowance for expected credit loss		545	—
Operating cash flows before changes in working capital		20,723	17,779
Changes in working capital			
Trade and other receivables		(4,408)	(9,429)
Trade and other payables		2,262	3,067
Net cash generated from operating activities		18,577	11,417
Investing activities			
Additions to investment property		(4,104)	(38,180)
Finance income received		—	217
Net cash used in investing activities		(4,104)	(37,963)
Financing activities			
Proceeds from Islamic financing received	11	54,459	—
Repayment of Islamic financing		(1,651)	—
Dividends paid	14	(23,970)	(23,970)
Finance costs paid	16	(12,278)	(10,397)
Lease liability payment	3	(1,013)	—
Net cash generated from financing activities		15,547	(34,367)
Net increase in cash and cash equivalents		30,020	(60,913)
Cash and cash equivalents at the beginning of the period		38,175	67,861
Cash and cash equivalents at the end of the period	8	68,195	6,948

1 GENERAL INFORMATION

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

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

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

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

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

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

Ownership of SE

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

The condensed interim consolidated financial information for the six months ended 30 June 2019 comprise the REIT and its SE (together referred to as "the Group"). Considering the purpose and design of the SE, the financial information of the REIT consolidate the SE in accordance with IFRS 10.

2 BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34"). This condensed interim consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed interim consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

Going concern

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

OPERATING SEGMENTS

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies

The accounting policies applied in this condensed interim consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, except for the following accounting policy, which is applicable from 1 January 2019.

3.2 New standards, amendments and interpretations

IFRS 16 LEASES

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

Lessee accounting

The Group has recognised the existing operating lease arrangement at 31 December 2018 as right-of-use assets within investment properties given these meet the definition of investment properties under IAS 40. The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate equivalent to current weighted average finance cost. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed the impact of IFRS 16 as at the reporting date and has presented right-of-use assets of USD 54,132 thousand within 'Investment Property' and lease liabilities of USD 55,325 thousand within 'Lease liability' in the consolidated statement of financial position.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; these should be read in conjunction with the REIT's annual consolidated financial statements as at 31 December 2018.

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

4.2 Liquidity risk

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

4.3 Fair value of financial instruments

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

Assets measured at fair value

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

	DATE OF VALUATION	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	TOTAL
		(LEVEL 1) USD '000	(LEVEL 2) USD '000	(LEVEL 3) USD '000	USD '000
Investment property	30 June 2019	—	126,559	826,370	952,929
Right-of-use assets*	30 June 2019	—	—	54,132	54,132
Investment property	30 June 2018	—	134,827	771,008	905,835

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed interim consolidated financial information, the significant judgement made by the REIT Manager in applying the Group's accounting policies and the key source of estimation uncertainty for the period ended 30 June 2019 is as follows:

(A) REVALUATION OF INVESTMENT PROPERTY

The Group carries its investment property at fair value, with changes in fair value being recognised in the condensed interim consolidated statement of comprehensive income. The Group engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment property held, to determine the fair values of investment property as at 30 June 2019.

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

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

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

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

* Recognised as a result of the adoption of IFRS 16 – Leases

(B) OPERATING LEASE COMMITMENTS — REIT AS LESSOR

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

6 INVESTMENT PROPERTY

	TOTAL
	USD' 000
At 1 January 2019	939,936
Acquisitions during the period	—
Work in progress & ongoing fitout projects	4,104
Right-of-use assets	54,976
Net unrealised gain/(loss) on revaluation of investment property	(5,037)
At 30 June 2019 (Unaudited)	993,979
At 1 January 2018	859,573
Acquisitions during the period	21,339
Work in progress & ongoing fitout projects	11,421
Net unrealised gain/(loss) on revaluation of investment property	21,255
At 30 June 2018 (Unaudited)	913,588
Fair value reconciliation	
	TOTAL
	USD' 000
Market value per external valuation report as at 30 June 2019	952,929
Ongoing fitout projects on completed properties	5,182
Lease incentive asset (Note 7)	(25,380)
Deferred income (Note 12)	7,116
Right-of-use assets	54,132
Fair value as at 30 June 2019	993,979

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

As at the reporting date, the Group held total investment property amounting to USD 993,979 thousand (30 June 2018: USD 913,588 thousand) in a real estate portfolio of eleven properties (30 June 2018: eleven properties) located in Dubai, UAE.

Properties under land lease agreements

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

- Remaining lease term of 20.2 years with property fair value of USD 6,698 thousand;
- Remaining lease term of 37.4 years with property fair value of USD 89,367 thousand;
- Remaining lease term of 24.7 years renewable for another term of 30 years with property fair value of USD 32,998 thousand;
- Remaining lease term of 46.0 years with property fair value of USD 39,831 thousand;
- Remaining lease term of 25.8 years with property fair value of USD 35,439 thousand.

Fair valuation

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

As at 30 June 2019, the fair value of the investment property was adjusted for the lease incentive asset (Note 7) and deferred income (Note 12) in accordance with IAS 40. The amount of adjustment is USD 18,264 thousand.

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

	30 JUN 2019	30 JUN 2018
	USD' 000 UNAUDITED	USD' 000 UNAUDITED
Balance at the beginning of the period	811,372	687,950
Right-of-use assets	54,976	—
Transfer from Level 2 to Level 3	19,191	40,464
Additions of new investment property during the period	0	21,339
Net unrealised (loss)/gain on revaluation of investments properties	(5,037)	21,255
Balance at the end of the period	880,502	771,008

For investment property categorised under Level 3 fair value hierarchy, a valuation methodology based on the capitalisation rate method was used, as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings.

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

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

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

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

	30 JUN 2019	30 JUN 2018
Stabilised occupancy rate (%)	85 – 100	90 – 100
Equivalent yield (%)	8 – 9.75	8.00 – 9.50
Operating Expenses (USD/sq. ft.)	6.53 – 19.52	7.88 – 18.35

7 TRADE AND OTHER RECEIVABLES

	30 JUN 2019	31 DEC 2018
	UNAUDITED USD' 000	AUDITED USD' 000
Rental and service income receivable	10,009	8,214
Less: provision for expected credit losses	(2,957)	(2,411)
	7,052	5,803
Other financial assets at amortised cost		
Other receivables	1,917	2,473
Other assets		
Lease incentive asset	25,380	22,309
Prepayments	1,092	994
	35,441	31,579
Less non-current portion – Lease incentive asset	(22,618)	(19,809)
Current portion	12,823	11,770

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

As at 30 June 2019, trade accounts receivable of USD 2,957 thousand (31 December 2018: USD 2,411 thousand) were impaired and fully provided for.

8 CASH AND CASH EQUIVALENTS

	30 JUN 2019	31 DEC 2018
	USD' 00 UNAUDITED 0	USD' 000 AUDITED
Current and savings accounts	68,195	38,175

Balances with banks are placed with local Islamic banks.

9 SHARE CAPITAL

	NUMBER OF ORDINARY SHARES	ORDINARY SHARES	SHARE PREMIUM	TOTAL
		USD' 000	USD' 000	USD' 000
At 30 June 2019 (Unaudited)	299,620,541	299,621	59,393	359,014
At 31 December 2018 (Audited)	299,620,541	299,621	59,393	359,014

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

10 SUKUK FINANCING INSTRUMENT

On 12 December 2017, the REIT issued five year trust certificates (“Sukuk”) of USD 400 m through Emirates REIT Sukuk Limited (the “Trustee” or “SE”), a structured entity formed for the issuance of the Sukuk. The Sukuk were listed on the Main Securities Market (MSM) of the Irish Stock Exchange (ISE). The Sukuk have a maturity date of December 2022 and pay a profit rate of 5.125% per annum payable semi-annually on 12 June and 12 December in each year, commencing on 12 June 2018.

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

The Sukuk are recorded at USD 397,976 thousand net of transaction costs of USD 2,024 thousand. Amortisation of transaction costs for the six months ended 30 June 2019 amounted to USD 266 thousand (30 June 2018: 282 thousand).

11 ISLAMIC FINANCING

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property. During the period, REIT has drawn down USD 54,459 thousand of the available finance limit. The outstanding balance as at reporting date stands at USD 118,829 thousand net of unamortised transaction costs of USD 1,236 thousand. (Note 16).

12 TRADE AND OTHER PAYABLES

	30 JUN 2019	31 DEC 2018
	USD' 000 UNAUDITED	USD' 000 AUDITED
Deferred income	7,116	6,956
Payable against investment property under construction or re-development	119	2,090
Tenant deposits payable	8,405	8,368
Accrued expenses	6,765	5,732
Service fee received in advance	2,939	537
Performance fee payable	28	698
Accrued profit expense	2,595	1,387
Management fee	333	173
Administration fee	18	115
	28,318	26,056

Included in the above accounts are balances due to related parties amounting to USD 361 thousand (31 December 2018: USD 870 thousand) (Note 15)

13 ZAKAT

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

14 DIVIDENDS

In January 2019, the REIT paid an interim dividend in respect of the period ended 30 June 2018 of USD 0.04 per ordinary share amounting to a total interim dividend of USD 11,984,821 to shareholders on the register as at 23 January 2019.

In June 2019, the REIT paid a final dividend in respect of the year ended 31 December 2018 of USD 0.04 per ordinary share amounting to a total final dividend of USD 11,984,821 to shareholders on the register as at 13 June 2019.

15 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(A) RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions with related parties during the period:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2019	2018
	USD'000 UNAUDITED	USD'000 UNAUDITED
Equitativa (Dubai) Limited		
Management fee	(7,827)	(7,042)
Performance fee	(28)	(891)
Rental and service income	—	29
	(7,855)	(7,904)

(B) DUE TO RELATED PARTIES COMPRISES:

	30 JUN 2019	31 DEC 2018
	USD'000 UNAUDITED	USD'000 AUDITED
Equitativa (Dubai) Limited	361	870

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

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

All transactions with related parties are approved by the REIT Manager. Outstanding balances at the period-end are unsecured and profit free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2019, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (period ended 30 June 2018: 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 periods ended 30 June 2019 and 30 June 2018, the role of the key management personnel in accordance with IAS 24 was performed by the REIT Manager, for which the REIT Manager receives remuneration in the form of a management fee and performance fee.

16 FINANCE COSTS

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2019	2018
	USD'000 UNAUDITED	USD'000 UNAUDITED
Sukuk profit expense	(10,250)	(10,250)
Sukuk issuance amortised expenses	(266)	(282)
Ijarah Islamic financing profit expense	(2,029)	—
Ijarah processing fee	(100)	—
Finance cost on lease liability	(1,363)	—
Finance costs	(14,008)	(10,532)
Profit income on saving accounts	—	217
Finance income	—	217
Finance costs, net	(14,008)	(10,315)

17 EARNINGS PER SHARE

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

	30 JUN 2019	30 JUN 2018
	UNAUDITED	UNAUDITED
Profit attributable to ordinary shareholders	1,132,184	28,719,607
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541
Basic and diluted earnings per share (USD)	0.004	0.096

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

18 EXPENSE RATIO

The total expense ratio for the six month period ended 30 June 2019 was 2.73% of Gross Asset Value (30 June 2018: 2.63%).

19 COMMITMENTS AND CONTINGENCIES

(A) CAPITAL COMMITMENTS

As of 30 June 2019, the REIT had contractual capital commitments of USD 2,875 thousand (31 December 2018: USD 2,656 thousand), which pertains to the construction of a school development and USD 3,132 thousand (31 December 2018: USD 12,593 thousand) in relation to fit out and re-development work in one of the completed properties.

(B) CONTINGENCIES

In 2018 one of the REIT's tenants (the "tenant") filed a claim which is subject to arbitration proceedings in the DIFC-LCIA.

Although the arbitration is still in its initial stages, the REIT Manager fully provided for the related rental and service income receivable due from this tenant of USD 1,991 thousand (Note 7). The REIT Manager however believes the case has no merit and it is unlikely to have a material impact on the consolidated financial statements.

(C) OPERATING LEASE COMMITMENTS — GROUP AS LESSEE

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

	30 JUN 2019	31 DEC 2018
	USD'000 UNAUDITED	USD'000 AUDITED
Within one year	2,921	2,738
After one year but not more than five years	12,018	11,845
More than five years	109,533	57,544
	124,472	72,127

(D) OPERATING LEASE COMMITMENTS — GROUP AS LESSOR

The Group has entered into commercial property leases on certain properties. Future minimum rentals receivables under non-cancellable operating leases as at 30 June 2019 and 31 December 2018 are as follows:

	30 JUN 2019	31 DEC 2018
	USD'000 UNAUDITED	USD'000 AUDITED
Within one year	61,450	58,247
After one year but not more than five years	142,578	145,779
More than five years	454,474	468,951
	658,502	672,977



