

EQUITATIVA SETTLEMENT CLOSES DFSA INVESTIGATIONS

Following almost 2 years of investigative actions by the DFSA, Equitativa today announces that it has reached a settlement with the DFSA which brings to a close all such investigations.

Equitativa has agreed not to further challenge the findings of the DFSA and to pay a fine of USD 210,000 for reporting breaches. The DFSA did not find that Equitativa's fund valuation practices have breached any DFSA administered laws and arrangements, however, Equitativa has also agreed to enter into an enforceable undertaking to address any DFSA concerns.

To be clear, none of the findings alleges any financial impropriety on part of Equitativa or its employees, nor to have had any impact on any of Emirates REIT's audited financial statements.

Having agreed to settle with the DFSA, Equitativa can now turn its full attention to reinvigorating Emirates REIT and accelerating its plans for growth.

During the course of the DFSA's investigations, Equitativa provided the regulator with over 200,000 documents covering the last 7 years, and mobilised thousands of man-hours of resources to comply with the DFSA's information requests. The cost of the investigations has been significant from both a financial and reputational standpoint as the publicity around the investigations was a significant factor in preventing Emirates REIT from accessing cost-effective debt capital since 2020, and prevented the refinancing of its Sukuk in May 2021.

To summarise the outcome of the DFSA investigations:

- The DFSA found that Equitativa made inaccurate statements regarding the DIP school asset on two occasions, with no intent to mislead Emirates REIT stakeholders.
 1. First, when Emirates REIT 2018 half year financial statements accounts, which showed a net asset value of USD 526,397,480, did not accurately represent the impact of the likely closure of the DIP school operator on the collectability of the outstanding USD 1,991,093 receivable, the valuation of the school and the net profits of Emirates REIT.

The DFSA considered that "the accounting standards (...) required that all or part of the debt [*the USD 1,991,093 receivable*] be provisioned" in the half year financial statements. The DFSA further found that Equitativa "failed to take reasonable steps to ensure that it or its employees reported to the Auditor certain information which was relevant to the recoverability of the debt owed" to it during the review process the Auditor was conducting.

It is worth noting that Equitativa did include the full provision for said receivable as well as the impact on the valuation in the immediately following full year audited financial statements released nearly 18 months prior to the start of the relevant DFSA investigation.

2. Second and in relation to the same school, when Equitativa's then CFO stated in the Q3 2018 results video announcements that a new operator had been "secured" (<https://youtu.be/rCzoau9puLw?t=280>), while the offer to lease accepted and countersigned by the selected operator was non binding.
- During the 7-year period investigated by the DFSA, Equitativa and its third party independent valuers have undertaken over 350 valuations. Importantly, the DFSA investigations did not find that Equitativa's fund valuation practices have breached any DFSA administered laws and arrangements regarding its assets' valuations. Notwithstanding the absence of any breach, but to assuage some concerns raised by the DFSA, Equitativa has agreed to (i) hire a valuation expert to review all valuation reports to be produced in respect of the 2022 fiscal year and (ii) appoint a person with valuation expertise at Emirates REIT's Oversight Committee to further enhance investor confidence.

The full decision notice and enforceable undertaking can be found [HERE](#).

We would like to thank all our stakeholders for their steadfast support during this period and also our Board members and employees for their unwavering dedication throughout the investigations.

With confidence in the future of Dubai and in the rebounding real estate market, we look forward to focussing our efforts on unlocking the intrinsic value of Emirates REIT's assets and executing on future growth plans for the benefit of all our stakeholders.

– END –