

# FINANCIAL STATEMENTS

for the year ended 31 December 2016

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INDEPENDENT  
AUDITOR'S  
REPORT TO THE  
SHAREHOLDERS  
OF EMIRATES  
REIT (CEIC)  
LIMITED

# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Emirates REIT (CEIC) Limited (the "REIT") as at 31 December 2016, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

## What we have audited

The REIT's financial statements comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## Independence

We are independent of the REIT in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirement of the Dubai Financial Services Authority ("DFSA"). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

# OUR AUDIT APPROACH

## OVERVIEW

### Key audit matter : Fair valuation of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the REIT, the accounting processes and controls, and the industry in which the REIT operates.

## KEY AUDIT MATTER

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

## FAIR VALUE OF INVESTMENT PROPERTY (refer to note 5)

The REIT owns a portfolio of investment properties, comprising commercial and retail buildings, car parking spaces and schools located in Dubai, United Arab Emirates. Investment properties are those that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the REIT.

In accordance with the REIT's accounting policy, investment properties are measured at their fair values, reflecting market conditions at the date of reporting. Gains or losses arising from changes in the fair values of investment properties each year are included in that year's statement of comprehensive income.

As at 31 December 2016, the combined fair value of the REIT's investment properties was estimated to be USD 753 million (31 December 2015: USD 673 million) making it the most significant asset on the balance sheet. A revaluation gain for the year ended 31 December 2016 was recognised in the statement of comprehensive income amounting to USD 36.5 million (31 December 2015: USD 53.3 million).

On a quarterly basis, Equitativa (Dubai) Limited, (the "REIT Manager") engages independent certified property valuers to perform a formal valuation of the REIT's investment properties on an open market basis. Each property is valued separately.

The determined fair value of each investment property is most sensitive to its estimated yield, its stabilised occupancy rate as well as its operating expenses. The underlying assumptions used to determine the fair value of investment properties and sensitivity analysis are further explained in Note 5.

We have focused on this area because of the complexities and uncertainties inherent in the determination of fair values (including the use of estimates) and the significant impact any changes in the individual property fair values, or errors in their computation, could have on the REIT's reported financial position and performance.

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained the REIT Manager's calculations of investment properties values based on external valuation reports and tested the accuracy and of the posting of the related revaluation gain, to the financial statements and performed the following:

- We reconciled the investment property value on the balance sheet to the external valuation report.
- We tested the accuracy of the total gain on investment properties by recalculating the difference in fair values of individual investment properties between 31 December 2015 and 31 December 2016.
- We involved our own, in-house property valuation experts to assess the methodologies used by the REIT's external valuer and the appropriateness of the underlying assumptions by performing the following procedures:
  - Reviewed the methodology applied by the external valuer to ensure it is appropriate;
  - Assessed the reasonableness of assumed of rents and comparable sales and compared them against market evidence; and
  - Assessed the capitalisation rates and yields to ensure they are appropriate and in line with current market conditions.
- Evaluated the external valuer's independence, experience and reputation in the property valuation field; and
- We also focused on the adequacy of the REIT's disclosures in Note 5 to the financial statements about those assumptions to which
- the outcome of the fair valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the REIT's investment properties.

## OTHER INFORMATION

The REIT Manager is responsible for the other information. The other information comprises the Annual Report which includes the REIT Manager's Report but does not include the financial statements and our auditor's report thereon. The Annual Report, including the REIT Manager's Report, is not yet received and is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, including the REIT Manager's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the DFSA.

## RESPONSIBILITIES OF THE REIT MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The REIT Manager is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and in accordance with the applicable regulatory requirements of the DFSA and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the REIT Manager is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the applicable provisions of the DFSA Rulebook, we report that:

- i) the financial statements have been properly prepared in accordance with the applicable requirements of the DFSA;
- ii) the REIT has maintained proper books of accounts and the financial statements are in agreement therewith; and
- ii) we have obtained all the information and explanations which we considered necessary for the purposes of our audit.

**PriceWaterhouseCoopers**  
Dubai, United Arab Emirates

**Audit Principal - Mohamed El Borno**  
26 February 2017



# BALANCE SHEET

	AS AT 31 DECEMBER		
	Note	2016	2015
		USD' 000	USD' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	5	752,703	673,227
Accrued income	6	8,055	-
		760,758	673,227
<b>Current assets</b>			
Trade and other receivables	6	7,137	4,382
Cash and cash equivalents	7	64,573	63,735
		71,710	68,117
<b>TOTAL ASSETS</b>		<b>832,468</b>	<b>741,344</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	8	299,621	299,621
Share premium	8	59,393	59,393
Retained earnings		134,405	110,552
<b>Total equity</b>		<b>493,419</b>	<b>469,566</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	9	284,830	233,327
<b>Current liabilities</b>			
Islamic financing	9	30,145	23,963
Trade and other payables	10	24,074	14,488
		54,219	38,451
<b>Total liabilities</b>		<b>339,049</b>	<b>271,778</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>832,468</b>	<b>741,344</b>
Net asset value (USD)		493,418,917	469,565,407
Number of shares		299,620,541	299,620,541
Net Asset Value per share		1.65	1.57

These financial statements were approved by the Board of Directors of Equitativa (Dubai) Limited (formerly known as Emirates REIT Management (Private) Limited) as the sole director of the REIT on 26 February 2017 and signed on their behalf by:

**Sylvain Vieujot**  
Executive Deputy Chairman

**Abdul Wahab Al Halabi**  
Chief Investment Officer - Acting Chief Financial Officer

The notes form an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 USD' 000	2015 USD' 000
Rental income		45,342	36,887
Service fee income		5,049	4,352
Other property income		313	250
<b>Total property income</b>		<b>50,704</b>	<b>41,489</b>
Property operating expenses		(15,086)	(12,859)
		35,618	28,630
Net unrealised gain on revaluation of investment property	5	36,476	53,253
<b>Net property income</b>		<b>72,094</b>	<b>81,883</b>
Management fee	13	(11,722)	(9,983)
Performance fee	13	(1,478)	(1,903)
Branding and marketing fees		(490)	(704)
Board fees		(295)	(250)
Legal and professional fees		(170)	(253)
Valuation fees		(135)	(115)
Custodian fees		-	(20)
REIT administration fee		(180)	(240)
Other expenses		(547)	(353)
<b>Operating profit</b>		<b>57,077</b>	<b>68,062</b>
Finance income		67	17
Finance costs		(9,322)	(6,580)
Finance costs, net		(9,255)	(6,563)
<b>Profit and total comprehensive income for the year</b>		<b>47,822</b>	<b>61,499</b>
Earnings Per Share			
Basic and diluted earnings per share (USD)	14	0.16	0.21

The notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Retained earnings	Total
		USD' 000	USD' 000	USD' 000	USD' 000
Balance at 1 January 2015		299,621	59,393	73,022	432,036
<b>Comprehensive income</b>					
Profit for the year		-	-	61,499	61,499
<b>Transactions with shareholders</b>					
Cash dividends		-	-	(23,969)	(23,969)
<b>Balance at 31 December 2015</b>		<b>299,621</b>	<b>59,393</b>	<b>110,552</b>	<b>469,566</b>
Balance at 1 January 2016		299,621	59,393	110,552	469,566
<b>Comprehensive income</b>					
Profit for the year		-	-	47,822	47,822
<b>Transactions with shareholders</b>					
Cash dividends	12	-	-	(23,969)	(23,969)
<b>Balance at 31 December 2016</b>		<b>299,621</b>	<b>59,393</b>	<b>134,405</b>	<b>493,419</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2016	2015
		USD' 000	USD' 000
<b>Operating activities</b>			
Profit for the year		47,822	61,499
<b>Adjustments for:</b>			
Net unrealised gain on revaluation of investment property	5	(36,476)	(53,253)
Finance costs		9,322	6,580
Finance income		(67)	(17)
Provision for doubtful debts		228	78
<b>Operating cash flows before changes in working capital</b>		<b>20,829</b>	<b>14,887</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(11,038)	(2,272)
Trade and other payables		9,769	4,195
<b>Net cash generated from operating activities</b>		<b>19,560</b>	<b>16,810</b>
<b>Investing activities</b>			
Additions to investment property		(41,611)	(43,701)
Finance income received		67	17
<b>Net cash used in investing activities</b>		<b>(41,544)</b>	<b>(43,684)</b>
<b>Financing activities</b>			
Islamic financing obtained, net		54,728	103,925
Dividends paid	12	(23,969)	(23,969)
Finance cost paid		(7,937)	(5,976)
<b>Net cash generated from financing activities</b>		<b>22,822</b>	<b>73,980</b>
<b>Net increase in cash and cash equivalents</b>		<b>838</b>	<b>47,106</b>
Cash and cash equivalents at the beginning of the year		63,735	16,629
<b>Cash and cash equivalents at the end of the year</b>	7	<b>64,573</b>	<b>63,735</b>

The notes form an integral part of the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 1 GENERAL INFORMATION

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

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

The REIT's 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").

On 4 December 2016, the legal name of Emirates REIT Management (Private) Limited changed to Equitativa (Dubai) Limited (the "REIT Manager").

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

These financial statements have been approved by the REIT Manager as the sole director of the REIT on 26 February 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 2.1 Basis of preparation

#### Statement of compliance

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

#### Income and cash flow statement

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

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

#### Preparation of the financial statements

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

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

## 2.1.1 Changes in accounting policies and disclosures

### a. New standards, amendments and interpretations effective for the financial year beginning after 1 January 2016 that did not have a material impact on the REIT

- IAS 1, 'Presentation of Financial Statements' (amendment), (effective from 1 January 2016);
- IAS 16, 'Property, Plant and Equipment' (amendment), (effective from 1 January 2016);
- IAS 27, 'Separate Financial Statements' (amendment), (effective from 1 January 2016);
- IAS 28 'Investments in associates and joint ventures' (amendment), (effective from 1 January 2016);
- IAS 38, 'Intangible Assets (amendment), (effective from 1 January 2016);
- IFRS 10, 'Consolidated Financial Statements' (amendment), (effective from 1 January 2016);
- IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations' (amendment), (effective from 1 January 2016); and
- IFRS 14, 'Regulatory Deferral Accounts, (effective from 1 January 2016).

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

### b. New and amended standards issued but not effective for the financial year beginning 1 January 2016 and not early adopted

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

- IFRS 9, 'Financial instruments' (effective 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018);
- IFRS 16, 'Leases' (effective from 1 January 2019); and
- IAS 7, 'Cash flow statement' (amendment), (effective from 1 January 2017).

## 2.2 Segment reporting

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



## 2.3 Foreign currency translation

### a. Functional and presentation currency

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

### b. Transactions and balances

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

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

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

## 2.4 Investment Property

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

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

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

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

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions; and
- Status of construction permits.

The fair value of investment property reflects, among other things, income from similar assets at their current highest and best use and assumptions about income from future operations in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

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

## 2.5 Leases

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

### a. REIT as a lessee

#### i. Operating lease

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

### b. REIT as a lessor

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

Refer note 2.13 for accounting policy on recognition of rental income.

## 2.6 Financial assets

### Classification

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

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

### Recognition and measurement

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

## Derecognition

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

## Impairment of financial assets

A provision for impairment of receivables is established when there is objective evidence that the REIT will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

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

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

## 2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

## 2.8 Rental and service income receivables

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

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

## 2.9 Share capital

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

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

## 2.10 Islamic financing

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

The duration of the lease, as well as the basis for rental payments, are set and agreed in advance.

After initial recognition, profit bearing Ijarah is subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognized as well as through the effective profit rate amortization process.

Ijarah rent expense is recognised on a time-proportion basis over the Ijarah term.

## 2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective profit rate method.

## 2.12 Provisions

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

## 2.13 Revenue recognition

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

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

### Rental Income

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

### Service fee income

Service fee income represents amounts receivable for property service charges that are payable by tenants to contribute towards the operation and maintenance expenses of the relevant property. Service fees are recognised on a time proportion basis in accordance with the terms of the service agreements.

## 2.14 Property expenses

Property expenses comprise all property related expenses which include third party property and facility management fees and utility expenses. Property expenses are recognised in profit and loss in the period in which they are incurred (on an accruals basis).

## 2.15 Management fee

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

## 2.16 Performance fee

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

## 2.17 Finance income and costs

Finance income comprises profit income on short term investments and other bank deposits. Profit income is recognised as it accrues in the statement of comprehensive income, using the effective profit rate method.

Finance costs are mainly profits payable on borrowings obtained from financial institutions at normal commercial rates and recognised as it accrues in the statement of comprehensive income in the period in which it is incurred.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2.18 Earnings per share

The REIT presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit/(loss) attributable to the ordinary shareholders of the REIT by the weighted average numbers of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The REIT does not have any dilutive potential ordinary shares.

## 2.19 Dividend distribution

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

## 2.20 Earnings prohibited by Shari'a

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

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

#### a. Profit rate risk

The REIT's exposure to the risk of changes in market profit rates relates primarily to the REIT's Islamic financing facilities with floating rates. As at 31 December 2016, if the profit rate on Ijarah facilities had been 1% higher/lower, with all other variables held constant, profit for the year would have been USD 2,724 thousand (31 December 2015: USD 1,994 thousand) lower/higher, mainly as a result of higher/lower finance expense.

#### b. Foreign currency risk

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

#### c. Credit risk

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



**(i) Tenants**

The REIT Manager maintains the property portfolio under continual review to minimise tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition.

New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease. Amounts receivable from a single customer at 31 December 2016 represented 17% (31 December 2015: 25%) of the total rental and service fee income receivable.

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

**(ii) Financial counterparties**

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

Rating	Credit rating agency	2016	2015
		USD' 000	USD' 000
A+	Fitch	10,057	14,365
A-	Fitch	47,709	-
A1	Moody's	3,547	4,820
Baa1	Moody's	1,236	20,833
N/A*	N/A*	2,024	23,717
<b>Total</b>		<b>64,573</b>	<b>63,735</b>

\*Not rated by Moody's or Fitch.

#### d. Liquidity risk

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

The REIT has access to an undrawn facilities at the end of the reporting period of up to USD 103,951 thousand expiring within one year. The table on the following page summarises the maturity profile of the REIT's financial liabilities based on contractual undiscounted payments and includes profit at agreed rates.

At 31 December 2016	Less than 3	3 to 12	1 to 5	Over	Total
	months	months	years	5 years	
	USD' 000	USD' 000	USD' 000	USD' 000	
Islamic financing	8,686	29,297	226,931	108,118	373,032
Trade and other payables	6,570	5,096	2,352	-	14,018
Total undiscounted financial liabilities	15,256	34,393	229,283	108,118	387,050

At 31 December 2015	Less than 3	3 to 12	1 to 5	Over	Total
	months	months	years	5 years	
	USD' 000	USD' 000	USD' 000	USD' 000	
Islamic financing	8,193	24,471	182,293	85,459	300,416
Trade and other payables	5,587	1,156	2,960	-	9,703
Total undiscounted financial liabilities	13,780	25,627	185,253	85,459	310,119

#### e. Capital management

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

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

Capital comprises share capital, share premium and retained earnings and is measured at USD 493,419 thousand as at 31 December 2016 (2015: USD 469,566 thousand).

Under the terms of the REIT's borrowing facilities, the REIT is required to maintain a ratio (calculated on a 12 month rolling basis) of operating profit before unrealised gains or losses on property revaluation to finance costs, above 2. As at 31 December 2016 the ratio of operating profit before unrealised gains or losses on property revaluation to finance costs was 2.12.

In addition, the REIT has covenants on the loan to value of specific assets mortgaged to its banking partners. These loan to value covenants require that the value of the outstanding finance amount to the property value should not exceed a predetermined percentage amount. The percentage amounts vary between banks and are in the range of 60% to 65%.

The REIT has complied with its loan to value covenant requirements throughout the year.

The REIT is required by DFSA regulations to limit borrowings to a maximum of 50% of gross asset value. As of 31 December 2016, borrowings as a percentage of gross asset value was 37.8% (2015: 34.7%).

### 3.2 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the REIT include bank balances and cash, receivables and certain other assets. Financial liabilities of the REIT include Islamic financing facilities and accounts payable and certain other liabilities.

The fair values of the financial assets and financial liabilities approximate their carrying values.

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

		<b>Quoted prices in active Markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	<b>Date of valuation</b>	<b>USD' 000</b>	<b>USD' 000</b>	<b>USD' 000</b>	<b>USD' 000</b>
Investment property	31 December 2016	-	158,571	591,996	750,567
Investment property	31 December 2015	-	161,766	509,541	671,307

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 4.1 Judgements

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

#### Revaluation of investment property

The REIT carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. The REIT engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment property held, to determine the fair values of investment property as at 31 December 2016. 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, 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 determined fair value of the investment property is most sensitive to the estimated yield, the stabilised occupancy rate as well as the operating expenses. The key assumptions used to determine the fair value of the investment property and sensitivity analysis, are further explained in Note 5.

### 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.

## 4.2 Going concerns

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

## 5 INVESTMENT PROPERTY

	Completed properties	Properties under construction	Total
	USD'000	USD' 000	USD' 000
<b>At 1 January 2015</b>	575,332	-	575,332
Acquisitions during the year	26,807	-	26,807
Work in progress during the period	-	3,161	3,161
Additional re-development and fitout carried on completed properties	14,674	-	14,674
Net unrealised gain on revaluation of investment property	53,253	-	53,253
<b>At 31 December 2015</b>	<b>670,066</b>	<b>3,161</b>	<b>673,227</b>
Acquisitions during the year	1,128	-	1,128
Transfer from properties under construction	32,741	(32,741)	-
Work in progress during the period	-	31,893	31,893
Additional re-development and fitout carried on completed properties	9,979	-	9,979
Net unrealised gain on revaluation of investment property	36,476	-	36,476
<b>At 31 December 2016</b>	<b>750,390</b>	<b>2,313</b>	<b>752,703</b>

As at the reporting date, the REIT held total investment property amounting to USD 752,703 thousand (31 December 2015: USD 673,227 thousand) in a real estate portfolio of nine properties (2015: eight properties) located in Dubai, UAE.

One of the REIT's investment properties is constructed on a plot in Dubai which is under a lease agreement for a remaining period of 24.9 years. The fair value of this property amounted to USD 7,852 thousand. Another property is constructed on a plot which is under a land lease agreement, with a remaining lease period of 27.2 years as of 31 December 2016. The fair value of this property as of the balance sheet date amounted to USD 86,665 thousand.

During the year, an additional property is being constructed on a plot which is under a land lease agreement with a remaining lease period of 27 years renewable for another term of 30 years.

Properties under re-development represent redevelopment and fit out costs incurred in relation to some of the REIT's investment property and in which the work was not completed as of year-end. Properties under development are measured at cost less impairment, if any, until the fair value becomes readily determinable or development is completed – whichever is earlier.

### British Columbian Canadian School

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

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 3.2.

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

	2016	2015
	USD'000	USD' 000
Balance at the beginning of the year	509,541	339,565
Transfer from Level 2 to Level 3	44,851	87,022
Additions of new investment property during the year	1,128	29,968
Net unrealised gain on revaluation of investments properties	36,476	52,986
<b>Balance at the end of the year</b>	<b>591,996</b>	<b>509,541</b>

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 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:

	2016	2015
Stabilised occupancy rate (%)	90 – 100	90 – 100
Equivalent yield (%)	8.00 – 9.00	8.00 – 8.98
Operating Expenses (USD/sq. ft.)	8.00 – 19.66	7.88 – 25.05

Significant increases/ (decreases) in estimated stabilised occupancy rate in isolation would result in a significantly higher/ (lower) fair value of the properties. Significant increases/ (decreases) in equivalent yield and operating expenses in isolation would result in a significantly lower/ (higher) fair value.

Properties with a carrying value of USD 587,305 thousand (31 December 2015: USD 491,720 thousand) are mortgaged against Islamic financing facilities (Note 9).



## 6 TRADE AND OTHER RECEIVABLES

	2016	2015
	USD'000	USD' 000
Rental and service income receivable	1,120	375
Less: Provision for doubtful debts	(412)	(184)
	708	191
Accrued income	10,247	-
Prepayments	3,333	3,261
Other receivables	904	930
	15,192	4,382
Less: non-current portion – accrued income	(8,055)	-
Current portion	7,137	4,382

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods and rent uplifts, over the expected terms of their respective leases in accordance with IAS 17. Together with USD 8,055 thousand, which was included as a non-current asset, these amounts totaled USD 10,247 as at 31 December 2016.

As at 31 December 2016, trade accounts receivable of USD 412 thousand (2015: USD 184 thousand) were fully impaired. The movement in the allowance for impairment of receivables is as follows:

	2016	2015
	USD'000	USD' 000
Balance at the beginning of the year	184	106
Charge for the year	228	78
Balance at the end of the year	412	184

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

	Less than 30 days	Between 30 to 60 days	Between 60 to 90 days	More than 90 days	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
2016	53	39	90	526	708
2015	34	4	19	134	191

## 7 CASH AND CASH EQUIVALENTS

	2016	2015
	USD'000	USD' 000
Current and savings accounts	64,573	24,258
Wakala deposits	-	39,477
	64,573	63,735

Balances with banks are placed with local Islamic banks.

## 8 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares USD' 000	Share Premium USD' 000	Total USD' 000
At 31 December 2016	299,620,541	299,621	59,393	359,014
At 31 December 2015	299,620,541	299,621	59,393	359,014

The authorised share capital of the REIT is USD 10,000,000,100 and is divided into:

- (i) one Manager Share with a par value of USD100; and
- (ii) 10,000,000,000 ordinary shares with a nominal par value of USD 1 per share.

## 9 ISLAMIC FINANCING

Ijarah facilities	Within 1 year USD'000	Between 1 and 5 years USD' 000	More than 5 years USD' 000	Total USD' 000
At 31 December 2016	30,145	162,360	122,470	314,975
At 31 December 2015	23,963	153,219	80,108	257,290

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property. Borrowing costs capitalised in relation to construction of Jebel Ali School and British Columbia Canadian School amounted to USD 885 thousand.

On 30 June 2016 the REIT increased its financing with Emirates Islamic Bank PJSC to USD 168,205,826 (AED 617,820,000) resulting in the receipt of additional gross funds of USD 27,225,701 (AED 100,000,000) secured by the way of mortgage on the Office Park, Lofts and Building 24 which value amounted to USD 231,565 thousand collectively at 31 December 2016. The terms of the financing facility remains at a profit rate of 3 month EIBOR + 2.5% with no minimum rate. The amount of the total facility is being repaid over 10 years commencing from 30 June 2016.

On 11 October 2016 the REIT drew down USD 53,634,631 (AED 197 million) under a new Islamic financing with Noor Bank secured by way of new mortgage on Jebel Ali School. The finance is on a profit rate of 3 month EIBOR + 2.5% with a floor rate of 3.5% and the finance is repaid over 10 years in quarterly installments.

At 31 December 2016 the weighted average cost of finance taking into account the profit rate attributable to each loan and the amortisation of financing transaction costs was 3 month EIBOR + 2.6%. (31 December 2015: 3 month EIBOR + 2.7%)

### Compliance with loan covenants

The facilities are secured by certain covenants on the REIT. The covenants states that the REIT will ensure that the following financial ratios are met:

- Total Ijarah facilities should not exceed 50% of the gross fixed assets.
- Value of the underlying asset should not exceed 60% of the drawdown.
- Finance to value (of the underlying asset) should not exceed 65%.
- Income cover: income to interest payments should be 3 times the net operating income at property level or 2 times net operating income at portfolio level.

The REIT has complied with the financial covenants of its Ijarah facilities during the year ended 31 December 2016.

The financing facilities are secured by the following:

- First Rank Legal Mortgages over financed properties in favour of the banks for USD 435,754 thousand (31 December 2015: USD 367,745 thousand).
- Assignment of comprehensive insurance over financed properties in favour of the bank.
- Assignment of rental income from financed properties in favour of the bank.

## 10 TRADE AND OTHER PAYABLES

	2016	2015
	USD'000	USD' 000
Deferred income	9,003	959
Tenant deposits payable	4,841	3,708
Accrued expenses	1,777	3,055
Service fee received in advance	1,041	2,594
Performance fee payable	1,479	1,903
Payable against investment property	5,603	1,841
Management fee	287	242
Administration fee	31	37
Other payables	12	149
	24,074	14,488

Included in the above accounts are balances due to related parties amounting to USD 1,766 thousand (2015: USD 2,145 thousand) (Note 13). Tenant deposits payable include an amount of USD 2,476 thousand (2015: USD 3,015 thousand) relating to lease agreements for a period of more than one year.

## 11 ZAKAT

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

## 12 DIVIDENDS

In January 2016, the REIT paid an interim dividend in respect of the year ended 31 December 2015 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 11 January 2016.

In June 2016, the REIT paid a final dividend in respect of the year ended 31 December 2015 of USD 0.04 per ordinary share amounting to a total final dividend of USD 11,984,821 to shareholders on the register as at 8 June 2016.

## 13 RELATED PARTY TRANSACTIONS

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

Dubai Islamic Bank PJSC ("DIB") is considered a related party as the Managing Director of DIB is also the Chairman of the REIT Manager and it held 15.7% of the issued share capital of the REIT at 31 December 2016 (31 December 2015: 15.7%) DIB is also a tenant of the REIT, renting retail branch space within one of the REIT's properties pursuant to a 15 year lease agreement.

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

### a. Related party transactions

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

	2016	2015
	USD'000	USD' 000
<b>Equitativa (Dubai) Limited</b>		
Management fee	(11,722)	(9,983)
Performance fee	(1,478)	(1,903)
Rental and service income	141	-
	<u>(13,059)</u>	<u>(11,886)</u>

### b. Due to related parties comprises:

	2016	2015
	USD'000	USD' 000
Equitativa (Dubai) Limited	1,766	2,145

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

The Performance fee is payable to the REIT Manager annually in arrears, at a rate of 3% of the increase in net asset value per share by reference to the highest net asset value per share previously used in calculating the fee. The first performance fee paid after listing was calculated at 5% on the increase in net asset value per share from the base net asset value per share and the number of shares in issue immediately prior to admission (i.e. excluding any offer shares made as part of the admission).

All transactions with related parties are approved by the REIT Manager. 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 2016, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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 years ended 31 December 2016 and 31 December 2015, there were no key management personnel as the REIT is managed by the REIT Manager for which a REIT Management fee is paid.

## 14 EARNINGS PER SHARE

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

	2016	2015
	USD'000	USD' 000
Profit attributable to Ordinary shareholders	47,822	61,499
	# of shares	# of shares
Weighted average number of Ordinary shares for basic EPS	299,620,541	299,620,541
	USD	USD
Basic and diluted earnings per share	0.16	0.21

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

## 15 COMMITMENTS AND CONTINGENCIES

### Commitments

At 31 December 2016, the REIT had contractual capital commitments of USD 20,134 thousand (2015: USD 26,819 thousand) out of which USD 18,960 thousand pertains to the construction of British Columbia Canadian School and USD 1,174 thousand in relation to fit out and redevelopment work at Index Tower Office and Retail (2015: USD 2,385 thousand).

### Contingencies

At 31 December 2016, the REIT had no contingent liabilities (2015: Nil).

### Operating lease commitments — REIT as lessee

The REIT has entered into commercial property leases on certain properties. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 are as follows:

	2016	2015
	USD'000	USD' 000
Within one year	1,251	1,251
After one year but not more than five years	5,005	5,005
More than 5 years	25,652	26,903
	31,908	33,159

### Operating lease commitments — REIT as lessor

The REIT has entered into commercial property leases on certain properties. Future minimum rentals receivables under non-cancellable operating leases as at 31 December 2016 and 2015 are as follows:

	2016	2015
	USD'000	USD' 000
Within one year	39,948	34,545
After one year but not more than five years	106,210	71,023
More than 5 years	495,262	237,390
	641,420	342,958

## 16 SUBSEQUENT EVENTS

In January 2017, the REIT paid an interim dividend in respect of the year ended 31 December 2016 of USD 0.04 per ordinary share amounting to a total interim dividend of USD 11,984,821 to shareholders on the register as at 16 January 2017.

