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REIT MANAGER'S **REPORT**

The Directors present their report for the year ended 31 December 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 31 December 2019, the REIT's issued share capital comprised a total of 299,620,541 ordinary shares with a market value of USD 0.57 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") as the sole Director of the REIT, 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 over 1,500 investment opportunities thereby ensuring their knowledge of the market is comprehensive and allows timely reactions to changes in market conditions.

A
OFFICE PARK
SHOGUN

Active Asset Management Strategy

The Portfolio of the REIT is actively managed, with the aim of delivering strong returns to the Shareholders. Active management is focused on enhancing rental revenues and improving operational efficiencies which in turn may contribute to enhanced market valuations. Equitativa works closely with the property managers appointed to the buildings to optimise the REIT's portfolio.

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 and proactively manage leases;
- Increase rental income;
- 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 REIT seeks to adopt a prudent capital and financial management strategy. 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 incomes, 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

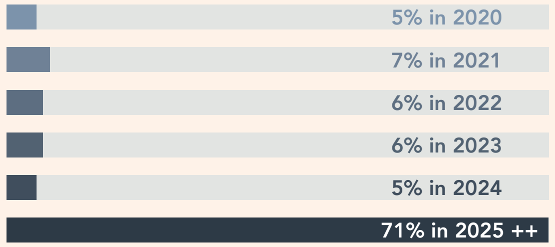
The key pillars for the Capital and Risk Management Strategy include:

- 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 the regulatory threshold;
- Continually revisiting lines of credit and assessing a variety of possible financing structures; and
- Actively considering opportunities to raise funds through various means, including but not limited to, the issue of new shares.

The REIT Manager is not aware of any relevant audit information of which the REIT's auditor is not aware and has taken all reasonable steps to become aware of such relevant audit information.

PORTFOLIO RISK

The Portfolio has diversification across asset classes and long-term leases with a weighted average lease term of 7.6 years as at 31 December 2019. Notably, only 18% of the leases are expiring in the next three years (5% only within one year).



SHAREHOLDING

The maximum limit of 49% of non-GCC ownership is monitored by both Equitativa and Nasdaq Dubai. At 31 December 2019, the non-GCC shareholding was just over 30%.

As at 31 December 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%

RELATED PARTIES

At the 2019 AGM, the shareholders authorised the REIT (and Equitativa on behalf of the REIT) to enter into transactions with Related Parties, pursuant to the DFSA CIR Rules.

2019 EVENTS

Portfolio Development

In July 2019, Index Mall was opened. Emirates REIT also commenced construction works for the extension of Lycee Francais Jean Mermoz.

Finance

During the year the REIT drew down USD 54.46m from the available financing facility limit granted by Dubai Islamic Bank.

Results and Dividends

The Results for the year ended 31 December 2019 are stated in the Consolidated Statement of Comprehensive Income. In 2019 total dividend of 0.08 USD per share related to financial year 2018 was distributed.

Amendments to Articles of Association

On 12 November 2018, the Dubai International Financial Centre (DIFC) introduced a new companies law regime which affected all entities registered in the DIFC. One mandated change within the new regime was the change of the name of the REIT from Emirates REIT (CEIC) Limited to Emirates REIT (CEIC) PLC. At the 2019 AGM , the Shareholders approved amendments to the REIT's Articles of Association to reflect the change of name of the REIT.

Purchase of Own Shares

At the 2019 AGM, the REIT was allowed to extend the authority to make one or more market purchases of its own shares in accordance with the rules and conditions of the DFSA and Nasdaq Dubai. This authority 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. No ordinary shares were purchased under this authority during 2019 or to date.

Auditors

At an Extraordinary Meeting of the Shareholders, held specifically for this purpose, the Shareholders of the REIT approved Deloitte & Touche (M.E.) as auditor of the REIT in place of retiring auditors PricewaterhouseCoopers (Limited) for the Financial Year ended 31 December 2019, with such appointment to be in effect until the conclusion of the next AGM of the REIT.

2020 Annual General Meeting

The 2020 AGM is planned before end of June 2020 and shall be called with not less than 21 days' notice. The resolutions proposed for approval will be set out in the Notice of Meeting, together with explanatory notes.

POST EVENT

The REIT held the discretionary interim dividend due to the uncertainties in the real estate market and the significant receivable from Jebel Ali School, one of its long-term tenants. The REIT has initiated legal proceedings against Jebel Ali School in an attempt to resolve the matter.

Finance Officer

Mr. Abdul wahab Al-Halabi, the Group's Chief Investment Officer was appointed as Interim Finance Officer in January 2019. Mr. Sheikh Muhammed Moeen joined the REIT Manager in July 2019 as Finance Director and is in the process of being appointed as Finance Officer, subject to regulatory approval.

Novel Covid-19

The existence of Novel Coronavirus (Covid-19) has spread across several countries and territories across the globe, causing disruptions to businesses and economic activity. The REIT considers this to be a non-adjusting post balance sheet event. The REIT engaged with its tenants and other stakeholders to closely monitor the situation and its implication on the local real estate and rental market.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of **Emirates REIT (CEIC) PLC (the "REIT") and its subsidiaries** (together, the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

The aggregated value of the Group's investment properties was USD 919 million as of 31 December 2019 (87% of total assets) and the unrealised fair value loss recorded in the consolidated statement of profit or loss amounted to USD 28 million. These properties are measured at their fair values and their measurement is inherently subjective due to the individual nature and location of each property which considerably influences the expected rental income or sales price.

The determination of fair value of these properties is based on external valuations conducted by independent certified property valuers using open market values and relevant market information generated from transactions of comparable properties and discounted cash flows. A high degree of judgement may be required from these professional valuers when observable information is not available or when significant adjustments are made to the observable market information.

The valuation of those properties is considered as a key audit matter because of the complexities inherent in the determination of fair values, including the use of estimates and the significant impact any changes thereon or error in their computation could have on the Group's consolidated financial statements.

Refer to Note 2 for Significant Accounting Policies as well as Note 5 Investment Properties in the consolidated financial statements.

The determined fair value of each investment property is most sensitive to its equivalent yield, estimated rental value and stabilised occupancy rates. The underlying assumptions used to determine the fair value of investment properties and sensitivity analysis are further explained in Note 4.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We performed the following procedures on the measurement of investment properties and properties under development, which included, but was not limited to, the following:

- Evaluated the design and implementation of relevant controls over the measurement of those properties;
- Assessed the competence, capabilities and objectivity of the third party appraisers for the valuation of the properties engaged by the Group and evaluated their scope of work;
- Obtained and read the valuation reports covering every property;
- For a sample of properties, engaged our internal real estate valuation specialists in assessing key assumptions that are not readily comparable with published benchmarks and their relevance and reasonableness; and confirmed that the valuation approach was in accordance with standards of the Royal Institute of Chartered Surveyors ("RICS");
- When assumptions were outside an expected range or otherwise appeared unusual, we undertook further investigations and, when necessary, held further discussions with the valuers and obtained evidence to support explanations received;
- Tested the data underpinning the valuation and provided to the valuers by the Group on a sample basis;
- Agreed the total of the valuation in the valuer's report to the amount presented in the consolidated financial statements;
- Verified the arithmetic accuracy of the determination of the net fair value loss; and
- Assessed the disclosures made in the consolidated financial statements against the requirements of IFRS.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2019.

OTHER INFORMATION

The REIT Manager is responsible for the other information. The other information comprises the REIT Manager's Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The REIT Manager is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the DFSA, and for such internal control as REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager;
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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:

- the consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the DFSA and the Articles of Association of the REIT;
- the Group has maintained proper books of account and the consolidated financial statements are in agreement therewith;
- we have obtained all the information and explanations which we considered necessary for the purposes of our audit; and
- the financial information included in the report of the REIT Manager is consistent with the Group's books of account.

Deloitte & Touche (M.E.)
Dubai, United Arab Emirates

Yahia Shatila
8 April 2020

EMIRATES REIT (CEIC) PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		NOTE	AS AT 31 DEC 2019	AS AT 31 DEC 2018
			USD'000	USD'000
ASSETS	**Non-current assets**			
	Investment property	5	919,440	939,936
	Right-of-use assets	5	53,265	—
	Trade and other receivables	6	26,538	19,809
			999,243	**959,745**
	Current assets			
	Trade and other receivables	6	11,131	11,770
	Cash and cash equivalents	7	48,432	38,175
			59,563	49,945
	Total assets		**1,058,806**	**1,009,690**
EQUITY	**Share capital**	8	299,621	299,621
	Share premium	8	59,393	59,393
	Cash flow hedging reserve		(693)	—
	Retained earnings		111,389	160,990
	Total equity		**469,710**	**520,004**
LIABILITIES	**Non-current liabilities**			
	Sukuk financing instrument	9	398,290	397,710
	Islamic financing	10	95,915	56,968
	Lease liability	11	51,138	—
	Derivative financial instruments	12	693	—
			546,036	**454,678**
	Current liabilities			
	Islamic financing	10	13,191	8,952
	Lease liability	11	3,394	—
	Trade and other payables	13	26,475	26,056
			43,060	35,008
	Total liabilities		**589,096**	**489,686**
	TOTAL EQUITY AND LIABILITIES		**1,058,806**	**1,009,690**
	Net asset value (USD)		469,710,000	520,004,000
	Number of shares		299,620,541	299,620,541
	Net asset value USD per share		1.57	1.74

These consolidated financial statements were approved by the Board of Directors of Equitativa (Dubai) Limited as the sole director of the REIT on 8 April 2020 and signed on its behalf by:

Sylvain Vieujot
Executive Deputy Chairman

Sheikh Muhammed Moeen
Director Finance

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE YEAR ENDED 31 DEC **2019**	FOR THE YEAR ENDED 31 DEC **2018**
		USD'000	USD'000
Rental income		64,452	61,333
Service fee income		7,884	7,883
Other property income		535	703
		72,871	69,919
Property operating expenses		(14,208)	(16,704)
Net property income		**58,663**	**53,215**
Expenses			
Management and performance fee	16	(16,001)	(15,206)
Board fees		(366)	(338)
Allowance for expected credit loss	6	(6,967)	(3,259)
Other expenses		(1,960)	(1,845)
Operating profit		**33,369**	**32,567**
Finance income/(costs)			
Finance costs	17	(29,517)	(21,458)
Finance income	17	520	178
Net finance costs		**(28,997)**	**(21,280)**
Profit before fair valuation of investment properties		4,372	11,287
Net unrealised (loss) / gain on revaluation	5	(30,004)	11,038
(Loss) / Profit for the year		**(25,632)**	**22,325**
Fair value adjustments on cash flow hedges	12	(693)	—
(Loss) / Profit and total comprehensive loss for the year		**(26,325)**	**22,325**
Earnings Per Share			
Basic and diluted (loss) / earnings per share (USD)	18	(0.088)	0.075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL	SHARE PREMIUM	CASH FLOW HEDGING RESERVE	RETAINED EARNINGS	TOTAL
		USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Balance at 1 January 2018		299,621	59,393	—	162,634	521,648
Comprehensive income				—		
Profit for the year		—	—	—	22,325	22,325
Transactions with shareholders						
Cash dividends	15	—	—	—	(23,969)	(23,969)
Balance at 31 December 2018		**299,621**	**59,393**		**160,990**	**520,004**
At 1 January 2019		299,621	59,393	—	160,990	520,004
Comprehensive income						
Loss for the year		—	—	(693)	(25,632)	(26,325)
Transactions with shareholders						
Cash dividends	15	—	—	—	(23,969)	(23,969)
Balance at 31 December 2019		**299,621**	**59,393**	**(693)**	**111,389**	**469,710**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	FOR THE YEAR ENDED 31 DEC **2019**	FOR THE YEAR ENDED 31 DEC **2018**
		USD'000	USD'000
Operating Activities			
(Loss) / Profit for the year		(25,632)	22,325
Adjustments for:			
Net unrealised loss/(gain) on revaluation	5	30,004	(11,038)
Finance cost	17	29,517	21,458
Finance income	17	(520)	(178)
Allowance for expected credit loss	6	6,967	3,259
Operating cash flows before changes in working capital		**40,336**	**35,826**
Changes in working capital			
Trade and other receivables		(12,280)	(13,539)
Trade and other payables		419	(3,681)
Net cash generated from operating activities		**28,475**	**18,606**
Investing activities			
Additions to investment property		(7,798)	(69,325)
Finance income received		520	178
Net cash used in investing activities		**(7,278)**	**(69,147)**
Financing activities			
Proceeds from Islamic financing received		54,459	65,920
Repayment of Islamic financing		(11,470)	—
Payment of lease liabilities		(3,202)	—
Dividends paid to shareholders	15	(23,969)	(23,969)
Finance costs paid		(26,758)	(21,096)
Net cash (used in) / generated from financing activities		**(10,940)**	**20,855**
Net increase / (decrease) in cash and cash equivalents		10,257	(29,686)
Cash and cash equivalents at the beginning of the year		38,175	67,861
Cash and cash equivalents at the end of the year	**7**	**48,432**	**38,175**

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 CL0983, 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 consolidated financial information for the year ended 31 December 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.

This consolidated financial information has been approved by the REIT Manager as the sole director of the REIT on 8 April 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. 1 Basis of preparation

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by IFRS Interpretations Committee (IFR IC), Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board and in accordance with the applicable regulatory requirements of the DFSA.

(B) CONSOLIDATED STATEMENT OF INCOME AND CONSOLIDATED CASH FLOW STATEMENT

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

The Group 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. Finance cost on lease liability is presented as financing activities. The acquisition of investment property is disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

(C) PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 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 consolidated 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 Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated 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 consolidated financial statements are disclosed in Note 4.

The REIT Manager, as the sole director of the REIT, has made an assessment of the Group'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 consolidated financial statements continue to be prepared on the going concern basis.

Changes in accounting policies and disclosures

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019

IFRS 16 – LEASES

In the current year the REIT adopted IFRS 16 'Leases' which replaces the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases – incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of Lease.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulated that all leases and the associated contractual rights and obligations should generally be recognised in the REIT's financial position, unless the term is 12 months or less or the lease is for a low-value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance lease is eliminated for Lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right-of-use leased asset is capitalised at an amount which is generally equivalent to the present value of the future lease payments plus directly attributable costs and this amount is amortised over the useful life. In contrast to lease accounting, the requirements for the lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the REIT is a lessor.

The Group has opted for the modified retrospective application permitted by the IFRS 16 upon adoption of the new standard and the prior period consolidated statement of financial position has not been restated. During the first-time adoption of IFRS 16 to operating leases, the right of use the leased assets was generally measured at the amount of lease liability, using the profit rate at the time of first application. IFRS 16 transition disclosures also requires the REIT to present the reconciliation. The off-balance sheet lease obligations as of 31 December, 2018 are reconciled as follows to the recognised lease liabilities as of 1 January 2019:

	USD'000
Operating lease commitments as at 31 December 2018	126,130
Discounted using the Group's incremental borrowing rate at the date of initial application	5.16%
Lease Liability recognised as at 1 January 2019	54,975

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The net impact on the retained earnings at 1 January, 2019 was nil.

The REIT has assessed the impact of the above standard. Based on the assessment, the above standard has the following impact on the REIT's consolidated financial statement as at the reporting date.

	AS AT 31 DEC 2019
	USD'000
Assets	
Right-of-use asset recognized on 1 January 2019	54,975
Less: Change in value of right-of-use asset during the year	(1,710)
Right-of-use asset as on 31 December 2019	**53,265**
Non-current assets	53,265
Liabilities:	
Lease liability recorded on 1 January 2019	54,975
Add: Finance cost for the year	2,759
Less: Payments made during the year	(3,202)
Lease liability as on 31 December 2019	**54,532**
Current liabilities	3,394
Non-current liabilities	51,138

IMPACT ON ASSETS AND LIABILITIES AS AT JANUARY 1, 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

	AMOUNTS BEFORE ADOPTING IFRS 16	ADJUSTMENTS FOR IFRS 16	AMOUNTS AS REPORTED AFTER IFRS 16 ADJUSTMENT
	USD'000	USD'000	USD'000
Right-of-use assets	—	54,975	54,975
Net impact on total assets	**1,009,690**	**54,975**	**1,064,665**
Lease liabilities	—	54,975	54,975
Net impact on total assets	**489,686**	**54,975**	**544,661**

IMPACT ON STATEMENT OF COMPREHENSIVE INCOME:

The impact on statement of comprehensive income due to adoption of IFRS 16 for the year ended December 31, 2019 was:

	2019
	USD'000
Change in fair value of right-of-use assets during the year	(1,710)
Increase in finance costs	(2,759)
Decrease in property operating expenses	2,745
Decrease in profit for the year	**(1,724)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the REIT uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect profit on the lease liability (using the effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The REIT re-measure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the REIT incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After initial recognition, the REIT applies fair value model to right-of-use assets that meet the definition of investment property. For assets that meet the definition of property, plant and equipment, right of use asset is carried at cost net of depreciation and impairment and is amortised over the term of the lease. Right of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the REIT expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

At the commencement date, the REIT recognises a right-of-use asset and a corresponding lease liability under the lease contract with respect to all leases arrangements in which it is the lessor, except for leases (defined as leased with a lease term of 12 months or less) and leases of low values. For these leases, the REIT recognise the lease payments as an operating expense on a straight line basis over the terms of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The REIT's leasing activities as a lessor and how these are accounted for:

Leases for which the REIT is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. 2 Basis for consolidation

(A) SUBSIDIARIES

Subsidiaries are all entities (including structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non- controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate..

(B) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(C) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. 3 Segment reporting

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

2. 4 Foreign currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Group is UAE Dirhams ("AED"). The presentation currency of the consolidated financial statements of the Group is USD translated at a rate of AED 3.67 to USD 1 (2018: 3.67). The translation rate has remained constant throughout the current year.

(B) TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group 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 consolidated 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. 5 Investment Property

Property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by the Group, 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 or re-development is measured at fair value if the fair value is considered to be reliably determinable. Investment property under construction or re-development 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 Group 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 consolidated financial statements.

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

In order to evaluate whether the fair value of an investment property under construction or re-development can be determined reliably, the REIT Manager 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 Group 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 consolidated statement of comprehensive income in the period of derecognition.

2. 6 Financial assets

(i) CLASSIFICATION

The Group classifies its financial assets as at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows except for financial assets which are considered as equity instrument.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value through Profit or Loss ("FVPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to the REIT Manager, how risks are assessed and managed and how the REIT Manager is compensated.

Solely Payments of Principal and Profit ("SPPI"): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent SPPI.

In making this assessment, the Group considers whether contractual cash flows present a nature consistent with a basic lending arrangement, i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

(ii) INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial assets, including trade receivables, at its fair value At initial recognition, the Group measures a financial assets, including trade receivables, at its fair value plus, in the case of a financial asset not at Fair Value through Profit or Loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an Expected Credit Loss (ECL) allowance is recognized for financial assets measured at amortised cost and at Fair Value through Other Comprehensive Income ("FVOCI"), which results in accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identicalasset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(iii) SUBSEQUENT MEASUREMENT

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Profit income from these financial assets, if any, is included in finance income using the effective profit rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income, if any and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Profit income, if any, from these financial assets is included in finance income using the effective profit rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the profit or loss statement within other gains/ (losses) in the year in which it arises. Profit income, if any, from these financial assets is included in the finance income.

(iv) IMPAIRMENT

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and is computed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As rent and service income receivables held by the Group have short credit period, i.e. tenor less than or equal to 12 months and does not comprise significant financing component, the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized for receivables.

We understand that accrued income pertains to lease incentive assets and is therefore not subject to IFRS 9 for impairment.

For all other receivables, at the end of each year the Group applies a three stage impairment approach to measure the expected credit losses (ECL) on all debt instruments carried at amortised cost.

The ECL three stage impairment is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these non- impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit- impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The profit income, if any, is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Significant increase in credit risk

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

Definition of Default

The definition of default used by the Group to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 180 days past due.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of comprehensive income.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

ECLs for all financial instruments are recognized in other expenses in the Statement of Comprehensive Income. In the case of debt instruments measured at amortised cost, they are presented net of the related allowance for expected credit loss on the statement of financial position.

(v) DERECOGNITION

Financial Assets:

Financial assets (or, where applicable a part of a financial asset) are derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass– through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

.2. 7 Financial Liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability not classified as fair value through profit or loss, at its fair value minus transactions costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transactions costs of financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

The Group classifies all financial liabilities as subsequently measured at amortised cost, using effective profit rate method, except for those instruments which are carried at fair value through profit or loss.

The Group derecognizes financial liabilities when the obligation is discharged, cancelled or expires. Any difference between carrying value of financial liability extinguished and the consideration paid is recognized in statement of profit or loss.

Offsetting Financial Instruments

Financial assets and liabilities were offset and the net amount reported in the consolidated statement of financial position when there was a legally enforceable right to offset the recognized amounts and there was an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial Assets Measured at Fair Value
For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

2. 8 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 consolidate 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. 9 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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all rental and service income receivables. To measure the expected credit losses, rental and service income receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix that is based on the Group's historical credit loss experience, which is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Rental and service income receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

2. 10 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. 11 Islamic financing

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

After initial recognition, profit bearing Ijarah is subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are 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. 12 Sukuk financial instruments

Sukuk financing instruments comprise Sharia's compliant financial instruments representing debt under a hybrid Murabaha and Wakala structure which are initially measured at fair value net of transaction costs incurred. After initial recognition, Sukuk financial instruments are subsequently measured at cost.

Transaction costs include commissions paid to agents, advisers, brokers and levies by regulatory agencies and securities exchanges that are directly attributable to the issue of the Sukuk.

2. 13 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. 14 Provisions

Provisions are recognised when the Group 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. 15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising resulting gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

The Group's policy is to document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments are disclosed in Note 12. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative instrument is more than 12 months and as a current asset or liability when the remaining maturity of the derivative instrument is less than 12 months.

2. 16 Revenue recognition

(A) 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 consolidated statement of comprehensive income due to its operating nature.

The Group's main source of revenue is rental income earned from its investment properties, which is excluded from the scope of IFRS 15.

(B) SERVICE FEE AND OTHER INCOME

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15.

Step 1 - Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 – Identify the performance obligations in the contract
A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 – Determine the transaction price
Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 – Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance obligations completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance – unbilled receivables. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives right to a contract liability – advances from customers.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

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 over time upon satisfaction of the performance obligation.

2. 17 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. 18 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. 19 Performance fee

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

2. 20 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 consolidated statement of comprehensive income, using the effective profit rate method.

Finance costs are mainly profits payable on sukuk financing instruments issued and borrowings obtained from financial institutions at normal commercial rates and recognised as it accrues in the consolidated 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.

Profit 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. 21 Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the (loss)/profit 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. 22 Dividend distribution

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

2. 23 Earnings prohibited by Shari'a

The Group 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 Group 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 Group's principal financial liabilities comprise sukuk financing instruments, 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 Group's operations. The Group 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 Group'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 Group's exposure to the risk of changes in market profit rates relates primarily to the REIT's Islamic financing facilities with floating rates. The REIT manages its cash flow profit rate risk by using profit rate swaps (Note 12).

As at 31 December 2019, 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 765 thousand (2018: 58 thousand) lower/higher, mainly as a result of higher/lower finance expense.

The impact of 1% upward and downward profit rate movement on the PRS , with all other variables held constant would result in Increasing /Decreasing the Cash Flow Hedging Reserve by USD 1,407 thousand and USD 1,467 thousand with corresponding impact on decreasing or increasing the Derivative Liability on the statement of Financial position by similar amount.

As at 31 December 2019, the Group had sukuk financing instruments (Note 9). The fair value of the sukuk financial instrument is not materially different to their carrying amount, since the profit payable on the sukuk financing instrument is close to current market rates.

(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 Group'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 Group is not considered to be exposed to any significant currency risk.

(C) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk arises from bank balances and trade and other receivables.

The credit risk faced by the Group 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.

Following financial assets of the Group are subject to expect credit loss model as they are classified as amortised cost:

- Cash and cash equivalents
- Trade receivables and other receivables

Cash and cash equivalents are current and saving account balances which are receivable on demand and the REIT Manager is able to withdraw the deposit as and when required. Based on the ECL assessment, the amount after assessment is approximately equal to the carrying value.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue over historical period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

	GROSS	2019 IMPAIRMENT	GROSS	2018 IMPAIRMENT
	USD'000	(ECL) USD'000	USD'000	(ECL) USD'000
Less than 6 months	5,061	(21)	4,668	(17)
Between 6 months to 1 year	4,270	(214)	1,393	(188)
Between 1 to 2 years	3,047	(348)	1,835	(42)
Between 2 to 3 years	1,347	(465)	290	(145)
More than 3 years	308	(308)	28	(28)
ECL general provision	**14,033**	**(1,356)**	**8,214**	**(420)**
Add: Specific Provision		(8,022)		(1,991)
Total	**14,033**	**(9,378)**	**8,214**	**(2,411)**

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances refer note 6.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses (or reversal) on trade receivables are presented as net impairment losses on trade receivables within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item or recorded in other income.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Since simplified model has been used for trade receivables therefore, these are classified as Stage 2 under the provisions of IFRS 9 and life time ECL is determined.

(D) FINANCIAL COUNTERPARTIES

The Group 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. They are assessed by the REIT Manager to be at a relatively low risk of default.

RATING	CREDIT RATING AGENCY	2019	2018
		USD'000	USD'000
A+	Fitch	4,618	2,526
A	Fitch	1,195	12,075
A-	Fitch	4,873	528
BBB+	Fitch	37,746	23,046
Total		**48,432**	**38,175**

(E) 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 2019 represented 44.28% (31 December 2018: 24.46%) 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 Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(F) LIQUIDITY RISK

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

AT 31 DECEMBER 2019	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	USD'000	USD'000	USD'000	USD'000	USD'000
Sukuk financing instruments	—	—	400,000	—	400,000
Sukuk profit	—	20,500	41,000	—	61,500
Ijarah Islamic finance	3,344	10,032	71,205	25,664	110,245
Ijarah Islamic financing profit expense	1,472	4,196	13,833	1,065	20,566
Trade and other payables (excluding advances re-ceived)	7,626	137	—	—	7,763
Total undiscounted financial liabilities	**12,442**	**34,865**	**526,038**	**26,729**	**600,074**

AT 31 DECEMBER 2018	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	USD'000	USD'000	USD'000	USD'000	USD'000
Sukuk financing instruments	—	—	400,000	—	400,000
Sukuk profit	—	20,500	61,500	—	82,000
Ijarah Islamic finance	2,284	6,851	36,541	21,572	67,247
Ijarah Islamic financing profit expense	1,024	2,853	9,952	1,787	15,617
Trade and other payables (excluding advances re-ceived)	6,717	2,090	—	—	8,807
Total undiscounted financial liabilities	**10,025**	**32,294**	**507,993**	**23,359**	**573,671**

(G) CAPITAL MANAGEMENT

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

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

Capital comprises share capital, share premium and retained earnings and is measured at USD 469,710 thousand as at 31 December 2019 (2018: USD 520,004 thousand).

The REIT is required by DFSA to limit borrowings to a maximum of 65% of gross asset value.
As of 31 December 2019, the borrowings as a percentage of gross asset value were 47.9% (2018: 45.9%).

3. 2 Fair value measurement

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	31-Dec-19	—	91,390	845,990	937,380
Investment property	31-Dec-18	—	139,794	811,372	951,166

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.

The preparation of the Group's consolidated 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 Group'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 consolidated financial statements

(A) FAIR VALUATION OF INVESTMENT PROPERTY

The Group carries its investment property at fair value, with changes in fair value being recognised in the 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 31 December 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 and estimated rental value. Below is a sensitivity analysis in isolation of the key assumptions used to determine the fair value of the investment property:

STABILISED YIELD		STABILISED OCCUPANCY RATE		ESTIMATE RENTAL VALUE	
USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
(46,007)	51,457	25,617	(28,509)	27,074	(26,972)

(B) DISCOUNTING OF LEASE PAYMENTS – IFRS 16

The lease payments are discounted using the REIT's incremental borrowing rate ("IBR"). Management has applied judgements and estimates to determine the IBR at the commencement of lease by using the applicable profit rates paid by REIT to its lenders of Islamic financing facilities.

(C) DETERMINING THE LEASE TERM – IFRS 16

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the REIT.

(D) ALLOWANCE FOR EXPECTED CREDIT LOSS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;

An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

5 INVESTMENT PROPERTY

	COMPLETED PROPERTIES	PROPERTIES UNDER CONSTRUCTION	TOTAL
	USD' 000	USD' 000	USD' 000
At 1 January 2018	825,113	34,460	859,573
Acquisitions during the year	51,921	—	51,921
Construction work in progress during the year	—	3,643	3,643
Additional re-development and fitout projects on completed properties	13,761	—	13,761
Net gain / (loss) from fair value adjustments on investment property	12,934	(1,896)	11,038
At 31 December 2018	**903,729**	**36,207**	**939,936**
Acquisitions during the period	—	—	—
Construction work in progress during the year	—	302	302
Transfer from properties under construction	36,509	(36,509)	—
Additional re-development and fitout projects on completed properties	7,496	—	7,496
Net loss from fair value adjustments on investment property	(28,294)	—	(28,294)
At 31 December 2019	**919,440**	—	**919,440**

Fair value reconciliation

	TOTAL
	USD' 000
Market value per external valuation report as at 31 December 2019	937,380
Additional re-development and fitout projects under progress on completed properties	4,655
Accrued income (Note 6)	(29,570)
Deferred income (Note 13)	6,975
Fair value as at 31 December 2019	**919,440**

Net unrealised (loss)/gain on revaluation

	2019	2018
	USD' 000	USD' 000
Net (loss) / gain from fair value adjustments on investment property	(28,294)	11,038
Change in fair value of right-of-use asset	(1,710)	—
	(30,004)	**11,038**

As at the reporting date, the Group held total investment property amounting to USD 919,440 thousand (31 December 2018: USD 939,936 thousand) in a real estate portfolio of 11 properties (2018: 11 properties) located in Dubai, UAE.

Rental income for the year ended 31 December 2019 is recognised at USD 64,452 thousand (2018: 61,333).

Properties under land lease agreements

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

- Remaining lease term of 19.7 years with property fair value of USD 6,236 thousand;
- Remaining lease term of 36.9 years with property fair value of USD 89,367 thousand;
- Remaining lease term of 24.1 years renewable for another term of 30 years with property fair value of USD 33,898 thousand;
- Remaining lease term of 45.5 years with property fair value of USD 40,082 thousand; and
- Remaining lease term of 25.3 years renewable for another term of 30 years with property fair value of USD 36,203 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 3.2.

As at 31 December 2019, the fair value of the investment property was adjusted for the lease incentive asset (Note 6) and deferred income (Note 13) in accordance with IAS 40. The amount of adjustment is USD (29,570) thousand and USD 6,975 thousand respectively (2018: USD (22,309) thousand and USD 6,956 thousand respectively).

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

	2019	2018
	USD' 000	USD' 000
Balance at the beginning of the year	811,372	687,950
Transfer from Level 2 to Level 3	53,083	39,790
Additions of new investment property during the year	—	51,952
Net unrealised (loss) / gain on revaluation of investments properties	(18,465)	31,680
Balance at the end of the year	**845,990**	**811,372**

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 those assumptions used in arriving at the fair value of investment property are as follows:

	2019	2018
Stabilised occupancy rate (%)	85 – 100	85 – 100
Equivalent yield (%)	8.00 - 9.75	7.98 – 9.50
Operating Expenses (USD/sq. ft.)	6.53 – 19.52	6.52 – 18.35

Right of use assets

The following table shows the movement of the Right of use Asset recognized by the REIT along with the related change in the fair value during the year as a result of adoption of IFRS 16 'Leases' effective from January 1. 2019:

	TOTAL
	USD' 000
Assets:	
Right-of-use Asset recognized on 1 January 2019	54,975
Less: Change in fair value during the year	(1,710)
Right-of-use Asset as on 31 December 2019	**53,265**
Non-current assets	53,265

6 TRADE AND OTHER RECEIVABLES

	2019	2018
	USD' 000	USD' 000
Rental and service income receivable	14,033	8,214
Less: provision for expected credit losses	(9,378)	(2,411)
	4,655	5,803
Other financial assets at amortised cost		
Other receivables	2,350	2,473
Other assets		
Lease incentive asset (Note 5)	29,570	22,309
Prepayments	1,094	994
	37,669	**31,579**
Less non-current portion – Lease incentive asset	(26,538)	(19,809)
Current portion	**11,131**	**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 IAS 17.

Included in the above are balances due from REIT manager amounting to USD 177 thousand (31 December 2018: USD NIL thousand) (Note 16).

Included within the USD 9,378 thousand provision for expected credit losses is an amount of USD 8,022 thousand (2018: USD 1,991), which represents specific provisions made for amounts due from certain tenants as per the tenancy contracts (Note 19 (b)).

As at 31 December 2019 and 2018, the movement in the allowance for impairment of receivables is as follows:

	2019	2018
	USD' 000	USD' 000
Opening expected credit loss as at 1 January 2019 - calculated under IFRS 9	2,411	487
Increase in expected credit loss recognised in consolidated state comprehensive income during the year	6,967	3,259
Receivables written off	—	(1,335)
Balance at the end of the year	**9,378**	**2,411**

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

	2019 RENTAL AND SERVICE INCOME RECEIVABLE	2019 ALLOWANCE FOR EXPECTED CREDIT LOSS	2018 RENTAL AND SERVICE INCOME RECEIVABLE	2018 ALLOWANCE FOR EXPECTED CREDIT LOSS
	USD'000	USD'000	USD'000	USD'000
Less than 6 months	5,061	(21)	4,668	(17)
Between 6 months to 1 year	4,270	(214)	1,393	(188)
Between 1 to 2 years	3,047	(348)	1,835	(42)
Between 2 to 3 years	1,347	(465)	290	(145)
More than 3 years	308	(308)	28	(28)
	14,033	**(1,356)**	**8,214**	**(420)**
Add: Specific Provision		(8,022)		(1,991)
Total	**14,033**	**(9,378)**	**8,214**	**(2,411)**

7 CASH AND CASH EQUIVALENTS

	2019	2018
	USD' 000	USD' 000
Current and savings accounts	48,432	38,175

Balances are with local Islamic banks that are regulated by the UAE Central Bank. As a result, the credit risk in respect of those entities is minimized. They are assessed by the REIT Manager to be at a relatively low risk of default (Note 3.1).

8 SHARE CAPITAL

	NUMBER OF ORDINARY SHARES	ORDINARY SHARES	SHARE PREMIUM	TOTAL
		USD' 000	USD' 000	USD' 000
At 31 December 2019	299,620,541	299,621	59,393	359,014
At 31 December 2018	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.

9 SUKUK FINANCING INSTRUMENT

On 12 December 2017, the REIT issued five year trust certificates ("Sukuk") of USD 400 million 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 Euronext Dublin with a Fitch rating of BB+. 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.

	2019	2018
	USD' 000	USD' 000
At 1 January	397,710	397,344
Amortisation of transaction costs	580	366
At 31 December	**398,290**	**397,710**

The Sukuk financing instrument has certain covenants on the REIT, which were complied with during the year ended 31 December 2019.

10 ISLAMIC FINANCING

Ijarah facilities

	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
	USD' 000	USD' 000	USD' 000	USD' 000
At 31 December 2019	13,191	70,465	25,450	109,106
At 31 December 2018	8,952	44,751	12,217	65,920

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property. During the year the REIT entered into Islamic financing facility of total USD NIL (2018: USD 121,699 thousand). As at 31 December 2019, the drawn down amounts are recorded at USD 109,106 thousand net of transaction costs of USD 1,139 thousand.

At 31 December 2019, 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 + 3.17%.

The facilities have certain covenants on the REIT. These covenants state that the REIT will ensure that the following financial ratios are met:

a) Finance to value ratio of the underlying asset should not exceed 50%-65%.

b) Income cover: income over profit and principal payments should be 25% higher than net operating income at property level.

Also as per DFSA Rules, the Total Islamic finance should not exceed 65% of the gross asset value of the REIT.

The REIT has complied with the financial covenants of its Islamic facilities during the year ended 31 December 2019.

The financing facilities are secured by the following:

a) First rank legal mortgages over financed properties in favour of the banks for USD 289,396 thousand.

b) Assignment of comprehensive insurance over financed properties in favour of the bank.

c) Assignment of rental income from financed properties in favour of the bank.

Movement for the year ended 31 December is as follows:

	2019	2018
	USD' 000	USD' 000
Balance at the beginning of the year	65,920	—
Add: Change due to FX revaluation	8	—
Add: Islamic financing received during the year	54,459	67,247
Less: Transaction costs on financing	-	(1,327)
Less: Repayment during the year	(11,470)	—
Add: Amortisation of transaction cost	189	—
Balance at the end of the year	**109,106**	**65,920**

11 LEASE LIABILITY

The following table shows the movement of lease liability recognized by the REIT as a result of adoption of IFRS 16 'Leases' effective January 1, 2019:

	TOTAL
	USD' 000
Liabilities:	
Lease liability recorded on 1 January 2019	54,975
Add: Finance cost for the year	2,759
Less: Payments made during the year	(3,202)
Lease liability as on 31 December 2019	**54,532**
Current liabilities	3,394
Non-current liabilities	51,138

12 DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	USD' 000	USD' 000
Loss on profit rate swaps	693	—

In order to manage the risk arising from fluctuations in profit rates arising from the REIT's variable rate Ijarah facilities (Note 10), the REIT entered into profit rate swaps with one financial institution.

At 31 December 2019, the REIT had outstanding profit rate swaps with a combined notional amount of USD 43,560 thousand (2018: NIL). The profit rate swaps are effective from 12th March 2019 and 21st August 2019 and mature on 12th December 2025 together with the maturity of the Ijarah financing facility. The swaps have a combined maximum notional amount of USD 47,640 thousand. The swap programs had a negative fair value of USD 693 thousand (2018: NIL) as at 31 December 2019, resulting in a loss of USD 693 thousand (2018: NIL) which was recognised as fair value loss on profit rate swaps in cash flow hedging reserve .

13 TRADE AND OTHER PAYABLES

	2019	2018
	USD' 000	USD' 000
Deferred income (Note 5)	6,975	6,956
Payable against investment property under construction or re-development	137	2,090
Tenant deposits payable	8,527	8,368
Accrued expenses	7,610	5,732
Service fee received in advance	1,762	537
Performance fee payable	—	698
Accrued profit expense	1,448	1,387
Management fee	—	173
Administration fee	16	115
	26,475	**26,056**

Included in the above accounts are balances due to REIT manager amounting to USD Nil (31 December 2018: USD 870 thousand) (Note 16)

14 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.

15 CASH DIVIDENDS

In January 2019, the REIT paid an interim dividend in respect to the six month 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.

In January 2018, the REIT paid an interim dividend in respect to the six month period ended 30 June 2017 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 22 January 2018.

In June 2018, the REIT paid a final dividend in respect of the year ended 31 December 2017 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 14 June 2018.

16 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.

(A) TRANSACTIONS EXECUTED DURING THE YEAR

Transactions executed with various related parties during the year amounted to:

	2019	2018
	USD'000	USD'000
REIT Manager	17,901	16,930
Board Members	90	90
Financial Institutions	66,750	41,031
Others	640	83

(B) MANAGEMENT AND PERFORMANCE FEE

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.

Management and Performance Fee charged by the REIT Manager during the year amounted to:

	2019	2018
	USD'000	USD'000
REIT Manager		
Management fee	(16,001)	(14,508)
Performance fee	—	(698)
Total	**(16,001)**	**(15,206)**

(C) DUE TO RELATED PARTIES COMPRISES

	2019	2018
	USD'000	USD'000
REIT Manager	—	870
Board Members	90	83
Financial Institutions	87,330	40,972
Others	29	129
Total	**87,449**	**42,054**

(D) DUE FROM RELATED PARTIES COMPRISES

	2019	2018
	USD'000	USD'000
REIT Manager	177	—
Financial Institutions	112	61
Total	**289**	**61**

All transactions with related parties are conducted in accordance with the applicable regulations. 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.

Transactions with key management personnel
During the years ended 31 December 2019 and 31 December 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.

17 FINANCE COSTS

	2019	2018
	USD'000	USD'000
Ijarah Islamic financing profit expense	(5,489)	(362)
Ijarah fee amortisation	(189)	(14)
Finance cost on lease liability	(2,759)	—
Sukuk profit expense	(20,500)	(20,500)
Sukuk issuance cost amortisation	(580)	(582)
Finance costs	**(29,517)**	**(21,458)**
Profit income on saving accounts	520	178
Finance income	**520**	**178**
Finance costs, net	**(28,997)**	**(21,280)**

18 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.

	2019	2018
	USD'000	USD'000
(Loss)/profit attributable to ordinary shareholders (USD'000)	(26,325)	22,325
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541
Basic and diluted (loss)/earnings per share (USD)	(0.088)	0.075

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

19 COMMITMENTS AND CONTINGENCIES

(A) CAPITAL COMMITMENTS

At 31 December 2019, the REIT had contractual capital commitments of USD 4,909 thousand (2018: USD 2,656 thousand), which pertains to the construction of a school development and USD 5,420 thousand (2018: USD 12,593 thousand) in relation to fit out and re-development work in certain completed properties.

(B) CONTINGENCIES

One of the REIT's tenant (the "REIT tenant") has filed a claim in 2018 which is subject to arbitration proceedings in the DIFC-LCIA. The REIT Manager filed a counterclaim and the matters are still in arbitration. The REIT Manager has considered its obligations with respect to its contractual arrangement with the REIT tenant and also the facts and circumstances surrounding the confidential arbitration proceedings in this regard.

The REIT Manager has maintained the 100% provision for the related rental and service income receivable due from the REIT tenant as of 31 December 2019 (Note 6). The REIT Manager however believes the case 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:

	2019	2018
	USD'000	USD'000
Within one year	2,921	2,755
After one year but not more than five years	12,117	11,943
More than five years	108,336	111,415
	123,374	**126,113**

(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 31 December 2019 and 31 December 2018 are as follows:

	2019	2018
	USD'000	USD'000
Within one year	52,941	58,247
After one year but not more than five years	146,307	145,779
More than five years	462,734	468,951
	661,982	**672,977**

20 FINANCIAL INSTUMRNTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Assets as per the statement of financial position

	2019	2018
	USD' 000	USD' 000
Amortised cost		
Trade and other receivables, excluding lease incentive asset and prepayments	14,033	8,276
Cash and cash equivalents	48,432	38,175
	62,465	**46,451**

Liabilities as per the statement of financial position

	2019	2018
	USD' 000	USD' 000
Other financial liabilities at amortised cost		
Trade and other payables excluding deferred income, accrued expenses, service fee received in advance, performance fee payable, accrued profit expense and management fee	8,680	10,573
Sukuk financing instrument	398,290	397,710
Islamic financing	109,106	65,920
	516,076	**474,203**

21 NET DEBT RECONCILIATION

	2019	2018
	USD' 000	USD' 000
Cash and cash equivalents	48,432	38,175
Islamic financing – repayable within one year	(13,191)	(8,952)
Sukuk financing instrument and Islamic financing – repayable after one year	(494,205)	(454,678)
Net debt	**(458,964)**	**(425,455)**

	2019	2018
	USD' 000	USD' 000
Cash and bank balances	48,432	38,175
Gross debt – fixed profit rates	(398,290)	(397,710)
Gross debt – variable profit rates	(109,106)	(65,920)
Net debt	**(458,964)**	**(425,455)**

	OTHER ASSETS CASH	LIABILITIES FROM FINANCING ACTIVITIES ISLAMIC FINANCING DUE WITHIN 1 YEAR	LIABILITIES FROM FINANCING ACTIVITIES SUKUK FINANCING INSTRUMENTS AND ISLAMIC FINANCING DUE AFTER 1 YEAR	TOTAL
	USD' 000	USD' 000	USD' 000	USD' 000
Net debt as at 1 January 2019	38,175	(8,952)	(454,678)	(425,455)
Cash flows, net	10,257	(4,239)	(39,527)	(33,509)
Net debt as at 31 December 2019	**48,432**	**(13,191)**	**(494,205)**	**(458,964)**
Net debt as at 1 January 2018	67,861	—	(397,344)	(329,483)
Cash flows, net	(29,686)	(8,952)	(57,334)	95,972
Net debt as at 31 December 2018	**38,175**	**(8,952)**	**(454,678)**	**(425,455)**

22 SUBSEQUENT EVENTS

During the year, one of the tenants (Tenant) has not made the contractual payment for the agreed rent and services charges to the REIT. Subsequent to the year end, the REIT Manager filed a claim against the Tenant for outstanding amounts owed to the REIT which is subject to arbitration proceedings in the DIFC-LCIA. Although the arbitration is still in the early stages, the REIT Manager has made adequate specific provision against this receivable.

In 2020, the Novel Coronavirus (Covid-19) was confirmed as a Pandemic and has spread across several countries and territories across the globe, causing disruptions to businesses and economic activities. The Group considers this to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, it is impracticable to make any assessment or provide a quantitative estimate of the potential impact of this outbreak on the Group. The potential impact of this outbreak on the valuation of the Group's investment properties and macroeconomic forecasts will be incorporated into the Group's financial statements beyond 2019.

The Group's Management is continuously assessing the relevant cash flows using assumptions and incorporating downside scenarios based on preliminary data and limited available information to assess any potential financing needs. Given the current financial position, no additional liquidity needs have been identified to allow the Group to meet its financial obligations as and when they fall due for the next twelve months from the date of the consolidated financial statements.

23 COMPARATIVE FIGURES

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in these consolidated financial statements.