2016

ANNUAL REPORT

Emirates REIT

A closed-ended investment company

Emirates REIT (CEIC) Limited ("Emirates REIT" or "REIT") is a closed-ended investment company with a mandate to invest in a diversified portfolio of Shari'a compliant real estate properties.

It was established in the Dubai International Financial Centre ("DIFC") on 28 November 2010 by Equitativa (Dubai) Limited (the "REIT Manager" or "Equitativa Dubai").

AT A GLANCE

PORTFOLIO IN DETAILS

FINANCIAL STATEMENTS

2016 IN BRIEF

Q1 2016

31 January
Dividend Distribution
USD 0.04 per share

Q2 2016

30 June
Dividend Distribution
USD 0.04 per share

Q3 2016

18 September
Completion
Jebel Ali School

28 September
Acquisition
British Columbia Canadian School

Q4 2016

12 October
Exclusive Emiri Decree
for Onshore Real Estate Investment
in Ras Al Khaimah

31 October
Emirates REIT becomes world's
largest Shari'a compliant REIT

PORTFOLIO VALUE

751m USD

AED 2.8 bn

NET LEASABLE AREA

1.97 SQ. FT.

182,956 m^2

WEIGHTED AVERAGE LEASE EXPIRY

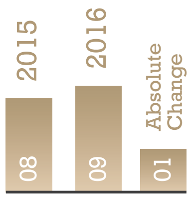
8.5 YEARS

NET ASSET VALUE

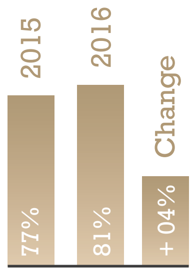
493m USD

AED 1.8 bn

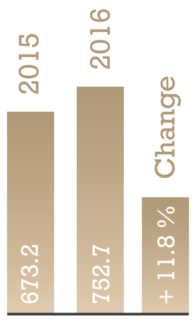
KEY PORTFOLIO STATISTICS



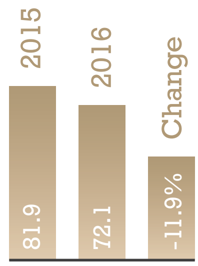
NUMBER OF PROPERTIES



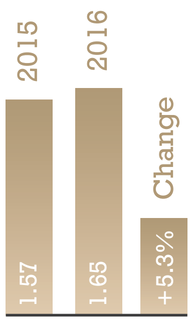
PORTFOLIO OCCUPANCY



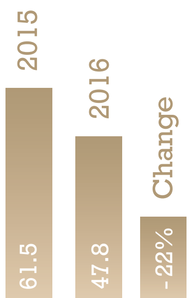
PORTFOLIO VALUE (USD MILLION)



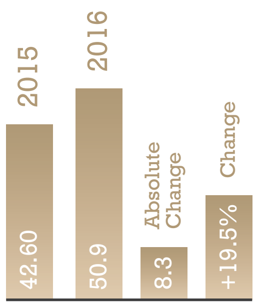
NET PROPERTY INCOME (USD MILLION)



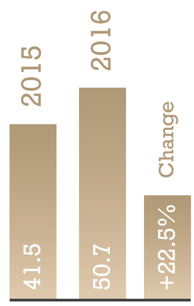
NET ASSET VALUE (USD PER SHARE)



NET PROFIT (USD MILLION)



PASSING INCOME (USD MILLION)



TOTAL PROPERTY INCOME (USD MILLION)

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report that during the financial year 2016 Emirates REIT became the largest publicly listed Shari'a compliant REIT in the world - both by total assets and by market capitalization.

Emirates REIT stayed its course in 2016 and continued to focus on its core principles of active tenant portfolio management, disciplined acquisitions and prudent risk management. As a result, we delivered another year of strong financial and operating performance, including three important results for our shareholders:

1. Strong rental income growth and cash profit conversion

2. We completed our first school development on time and budget

3. We overcame challenges that have inhibited growth at Index Tower

Financial Achievements

Rental income grew 22.8% to USD 45.3 million (FY2015: USD 36.9 million). Total property income, which includes service fees, rose 22.2% to USD 50.7 million for the year (FY2015: USD 41.5 million). The increase in rental income was largely attributable to increased leasing at Index Tower, and the rent of the new British Columbia Canadian School. At year-end 2016, total occupancy across the portfolio reached 81% and the weighted average lease expiry of the total portfolio was stable at 8.5 years.

The Asset Management team made good progress driving down building expenditure across the portfolio. This was achieved by renegotiating with existing suppliers as well as through energy efficiency programs. Overall, these initiatives lead to an 8% relative cost reduction across the portfolio.

The REIT witnessed a slowdown in revaluation gains. This reflects the maturing of the property portfolio over time and the slowdown in the broader commercial real estate sector. Revaluation gains in 2016 were USD 36.5 million (FY2015: USD 53.3 million) and reflect an increase in contracted cash flow. They include post completion gains on Jebel Ali School and gains following the leasing of additional floors at Index Tower.

As at 31 December 2016, the total portfolio value was USD 752.7 million, a year-on-year increase of 12% (31 December 2015: USD 673.2 million). The net asset value was USD 1.65 per share, or USD 493 million, a 5% increase after the dividend distributions of USD 8 cents per share, paid out in January and June 2016. The total return for the full year 2016 was 10.2%. Total debt at the end of 2016 was USD 315 million. The LTV-ratio of the REIT stood at 38%, well below the regulatory maximum LTV of 50%.

Active Portfolio Management

In 2016, Emirates REIT completed the construction of the new Jebel Ali School campus, both on time and within the budget. The property, located in the Akoya development in Dubailand, had a positive impact on rental income growth and contributed an 18.3% post completion valuation gain of USD 12.8 million.

Following a similar model, the REIT launched its second education development project with the British Columbia Canadian School. We acquired a leasehold plot in Dubai Investments Park and immediately leased back the property to the school operator for a 28-year lease term. The construction of this development started in September 2016 and the overall investment is projected to be around AED 88 million (USD 24 million). The educational facilities will include a foundation, primary and secondary school, as well as a sports center and an auditorium. The school will be constructed to the operator's specifications over a built-up area of 17,156m2. The estimated IRR on this project is expected to exceed 12%.

As at 31 December 2016, the education sector represented 29% of the REIT's portfolio income, providing strong, stable and long-term cash flows.

Index Tower remains the property with the biggest upside potential. During the year, we added 40,000 square feet of furnished and fitted-out offices that lease at a good premium to the market.

Notably, there have been two key challenges we had with this property going into 2016 which are both being resolved: accessibility and connectivity. The accessibility of the property was constrained by suboptimal traffic flow. A new traffic routing plan was approved by the Dubai Roads and Transport Authority in December 2016 and is expected to be implemented in first semester 2017. The connectivity issue has also been resolved as the construction of the Gate Avenue – the spine connecting Index Tower directly to DIFC – has started. This is an important development as it will enable tenants of Index Tower – both commercial and retail – to be fully connected with the rest of DIFC.

The resolution of these challenges gave us the confidence to press ahead with and start negotiations for pre-leases on over 50% of the retail podium gross floor area at Index Tower. This includes competitive negotiations with anchor tenants. The tender for remodeling and fit-out of the retail space is in progress and construction of Index Retail is expected to start in Q2 2017.

Rebranding of the REIT manager

In December 2016, we announced a name change from Emirates REIT Management (Private) Limited, the REIT manager, to Equitativa (Dubai) Limited ("Equitativa Dubai"). The REIT itself continues to operate under the name Emirates REIT (CEIC) Limited and trade under the symbol "REIT" on Nasdaq Dubai. Equitativa Dubai continues to manage the REIT in its current structure. There are no changes to ownership or management of the REIT Manager.

"Emirates REIT stayed its course in 2016 and continued to focus on its core principles of active tenant portfolio management, disciplined acquisitions and prudent risk management. As a result, we delivered another year of strong financial and operating performance, including three important results for our shareholders"

Exclusive Emiri Decree

Equitativa Real Estate Limited ('Equitativa'), the parent company of Equitativa Dubai, was granted an exclusive Emiri decree, which allows current and future REITs managed by Equitativa Group to own onshore real estate in the Emirate of Ras Al Khaimah.

Dividends

In 2016, we continued to pay a dividend of USD 24.0 million (8 cents per share). The dividend was paid out in January and June in two tranches of USD 12.0 million (4 cents per share).

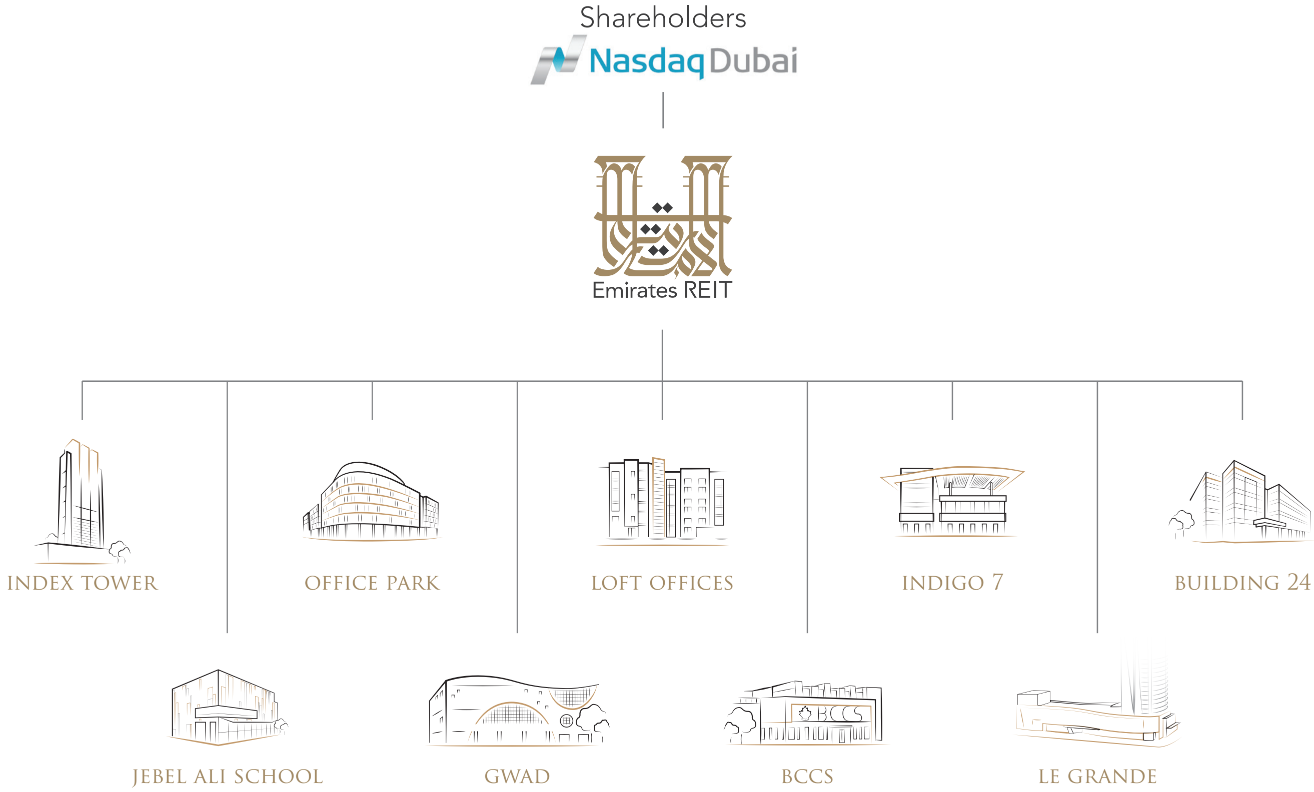
Outlook

In 2017, we shall stay our chosen course. It is important for our shareholder to know that our activities and actions do not just increase earnings in the short term but have a lasting effect on the future profitability of the REIT. In the interest of all our stakeholders, we will focus on the stability and attractiveness of Emirates REIT's property portfolio by increasing our cash profitability, actively managing our expenses and seeking new opportunities to grow the REIT. With our proven expertise in real estate management and the already improved ability to convert rental income into cash profit, we believe we are in a good position to deliver sustainable and attractive returns to our shareholders for the years to come.

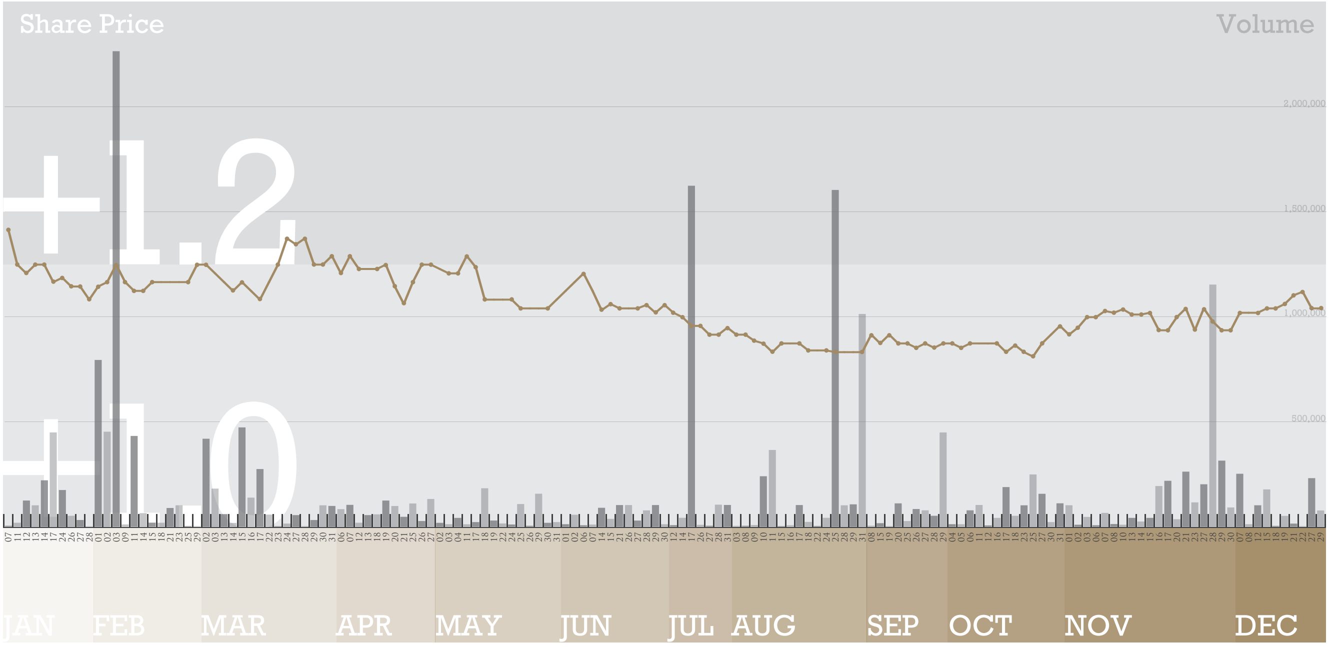
Abdulla Al Hamli
Chairman

REIT IN BRIEF

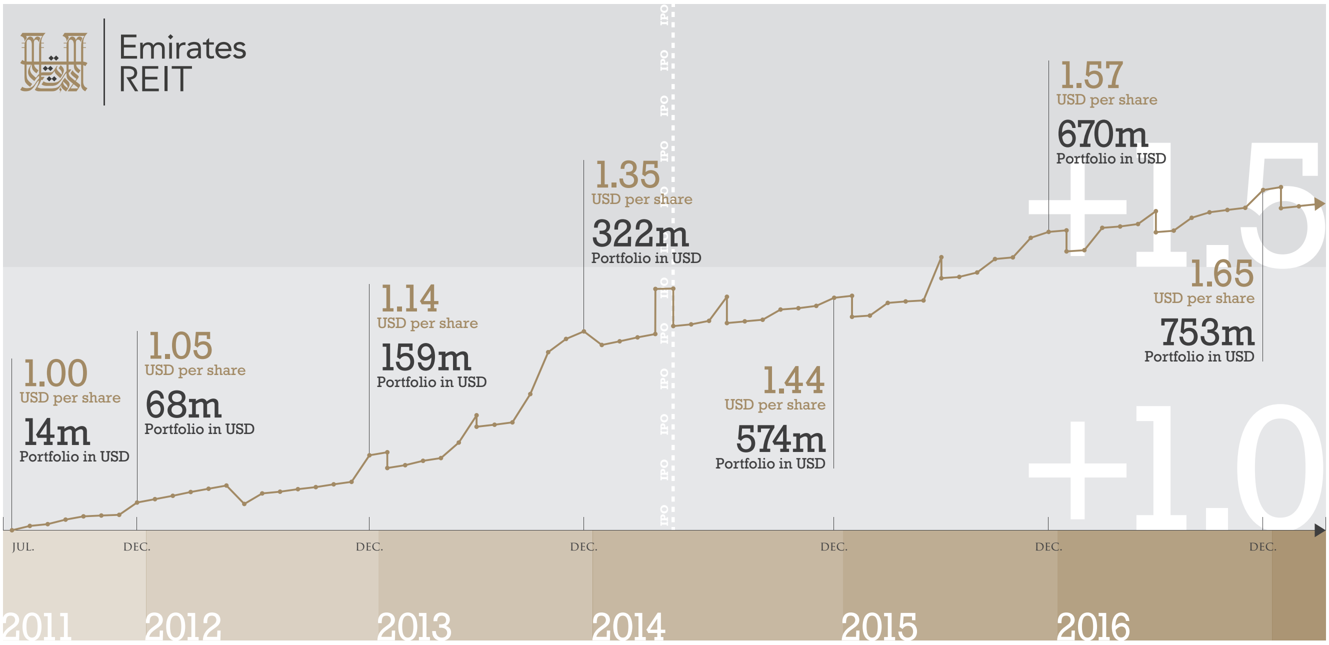
- First Shari'a compliant REIT in the UAE and world's largest Shari'a compliant REIT
- Focus on income-producing assets with attractive investment fundamentals
- Good degree of income visibility and embedded organic growth opportunities within existing portfolio
- Bi-annual dividend distributions and steady increase in NAV per share since incorporation
- Experienced REIT Management with detailed knowledge of UAE Real Estate sector
- Active management and enhancement of the income profile of the properties
- Regulated REIT and REIT Manager with established corporate governance framework
- Regulations highlights : minimum of 80% of the net income distributed, Gearing limit of 50% of Gross Asset Value, Development Activities limited to 30% of portfolio



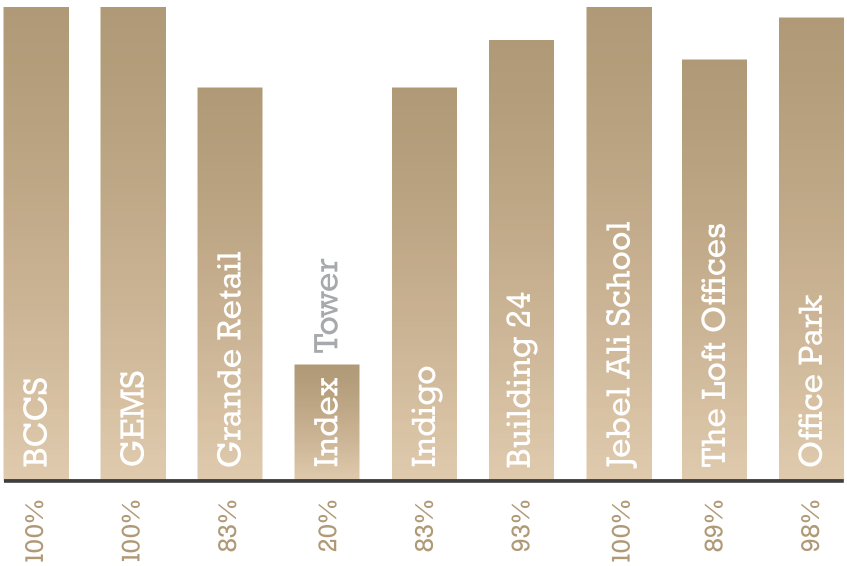
HISTORICAL TRADING



PERFORMANCE



PORTFOLIO OCCUPANCY



KEY PORTFOLIO STATISTICS

	Year ended 31 December			
	2016	**2015**	**Absolute Change**	**Change %**
Number of properties	9	8	1	-
Portfolio occupancy(incl. Index Tower)	81.1%	76.7%	4.4%	-
Portfolio occupancy(excl. Index Tower)	97.0%	95.4%	1.6%	-
Number of tenants	245	225	20	8.9%
Net leasable area(m^2)	182,965	166,801	16.164	9.7%
Market value(USD million)[1]	752.70	673.23	79.47	11.8%
Passing income(USD million)[2]	51.5	42.6	8.9	20.9%

(1) Marketing Value is including Investment Property under construction, pre-development and fit-out
(2) Passing income represents the annualised value of contractual rentals at the end of the relevant period

INCOME AND EARNINGS

	Year ended 31 December			
USD '000	**2016**	**2015**	**Absolute Change**	**Change %**
Property income	50,704	41,489	9,215	22.2%
Net property income	72,094	81,883	(9,789)	(12.0)%
Operating profit	57,077	68,062	(10,985)	(16.1)%
Finance cost, net	(9,255)	(6,563)	(2,692)	41.0%
Net profit	47,822	61,499	(13,677)	(22.2)%
Funds from operations(FFO)[1]	11,347	8,246	3,101	37.6%
EPS(USD) [2]	0.1596	0.2053	(0.0457)	(22.3)%
FFO per share [2]	0.0379	0.0275	0.0104	37.8%
Portfolio return [3]	10.2%	14.2%	(4.0)%	-

(1) FFO comprises net profit excluding revaluation gains and IPO costs
(2) Based on weighted average number of shares
(3) Portfolio return comprises annual growth in NAV per share, including the dividend paid to shareholders

BALANCE SHEET

	Year ended 31 December			
USD '000	**2016**	**2015**	**Absolute Change**	**Change %**
Investment property	752,703	673,227	79,476	11.8%
Total assets	832,468	741,344	91,124	12.3%
Equity	493,419	469,566	23,853	5.1%
Liabilities	339,049	271,778	67,271	24.8%
NAV per share(USD)	1.6468	1.5672	0.0796	5.1%
LTV	37.8%	34.7%	3.1%	-
Net cash from operating activities	19,560	16,810	2,750	16.4%


DATA
01
02
03
04
05
06
Starship Enterprise

PORTFOLIO

PORTFOLIO SUMMARY

01 COMMERCIAL PORTFOLIO

02 EDUCATION PORTFOLIO

03 RETAIL PORTFOLIO

Our portfolio is divided into three distinct categories; Commercial, Retail and Education. Here is the summary information of these categories for 2016.

Our Commercial portfolio is composed of five mix-used properties, ranging from low-rise buildings to 80-storey skyscraper.

The portfolio is well balanced with tenants types ranging from start-ups to regional headquarters of international companies. It provides a sustainable income to the REIT, while allowing for organic growth in rental rates.

18

Our Education portfolio provides a stable and long term income.

Emirates REIT owns three school premises, including one currently under construction.

This sector sees a high demand for build-to-suit from education operators, which is likely to increase further as the Knowledge and Human Development Authority forsees a significant shortage in schools for the coming years.

20

Our Retail portfolio is composed of two small malls and various retails based at the ground floors or our mix-use buildings.

They provide a range of services to our tenants and the community closeby, from supermarkets, salons, printing services and coffee shops and restaurants.

22

COMMERCIAL PORTFOLIO

Emirates REIT Commercial portoflio comprises five mix-used properties: Index Tower, Office Park, Loft Offices, Building 24 and Indigo 7.

Office Park, Loft Offices, Building 24 and Indigo 7 show an occupancy rate of 97%. Index Tower, bought empty in 2014, is showing an offices occupancy rate of 25% at end of 2016.

The proactive management of the buildings allowed the REIT to keep both a good occupancy and sustainable increase in rates, even during economically challenging times in 2016.

VALUATION	NLA	INCOME
60%	43%	58%
SHARE OF PORTFOLIO	SHARE OF PORTFOLIO	SHARE OF PORTFOLIO

The Commercial sector shows an increase of 16.9% of the passing income over 2016 which is mostly due to the increase in occupancy in Index Tower and the organic rent growth in the rest of the portfolio.

As the end of 2016, the majority of the income was coming from the four mature buildings (Office Park, Loft Offices, Building 24 and Indigo 7), while Index Tower still represents a great opportunity for upside.

The fully fitted-out and furnished offices in Index Tower, allowing flexibility to the tenants, have been successfully leased and the REIT plans to develop further offices with this model. Currently, the REIT offers fully-fitted and furnished offices ranging from 50m^2 to 150m^2. We have seen a demand for bigger fully-fitted offices, which we are considering to propose to our tenants.

"Emirates REIT have proven to be responsive landlords; taking appropriate action where a need or requirement has been highlighted. They are open to suggestions and maintain good communication channels."

- Boston Consulting Group Tenant in Office Park

Year ended 31 December	2016	2015
Market Value	USD 452.2 million	USD 435.4 million
	(AED 1,659.6 million)	(AED 1,598.0 million)
Net Leasable Area	78,409.91 m^2	78,409.91 m^2
Passing Income	USD 29.1 million	USD 24.9 million
	(AED 106.9 million)	(AED 91.5 million)

Note:
The market value per sector is an estimation based on the percentage of leased area in the sector and the market value of each building.

EDUCATION PORTFOLIO

Emirates REIT Education portfolio comprises three education complexes : GEMS World Academy (GEMS), Jebel Ali School (JAS) and British Columbia Canadian School (BCCS).

All contracts are, at maturity, triple-net leases, allowing shool operators to have full control of their premises as well as the responsibility of the maintenance and insurance of the building.

GEMS World Academy was acquired fully operational in 2014.

In 2015, the REIT acquired the land and started the construction of the Jebel Ali School. The construction was completed on time and on budget, and JAS started operating at the start of academic school year 2016/17. In a similar model, the REIT acquired the plot for BCCS in September 2016. BCCS plans to start operations for the beginning of the academic school year 2017/18.

VALUATION	NLA	INCOME
23%	44%	29%
SHARE OF PORTFOLIO	SHARE OF PORTFOLIO	SHARE OF PORTFOLIO

The Education sector has seen as increase of 30.46% in annualized rent in 2016.

This increase is due to the completion of Jebel Ali School and the start of the new phase of its lease (including premises), as well as the acquisition and lease of the plot destined to BCCS.

As at end 2016, the income from the Education sector was 59% from GEMS, 25% from JAS, and 16% from BCCS, together providing an annual income of USD 14.6 million (AED 53.3 million).

The market value of this sector has increased by 48%, due to the completion of Jebel Ali School. The increase in value for this asset was reported quaterly, matching the progress of the construction.
A similar model is expected for BCCS during 2017.

We still see a high demand from school operators for build-to-suit buildings financed by the REIT, and are studying several similar opportunities.

"Emirates REIT has been our landlord for a few years and we would like to highlight their professionalism and collaborative team.

As a tenant we have always been content with their customer service and swift response to any arising issue that might occur."

- GEMS World Academy

Year ended 31 December	2016	2015
Market Value	USD 175.2 million	USD 118.3 million
	(AED 643.0 million)	(AED 434.3 million)
Net Leasable Area	80,658 m^2	63,658 m^2
Passing Income	USD 14.5 million	USD 11.1 million
	(AED 53.3 million)	(AED 40.9 million)

Note:
The market value per sector is an estimation based on the percentage of leased area in the sector and the market value of each building.

RETAIL PORTFOLIO

The retail component of the REIT's portolio comprises of Trident Grand Mall (previously named Le Grande Community Mall), retail units in Office Park, Loft Offices, Building 24, Indigo, as well as the mall and part of level 30 in Index tower.

The retail contracts are mainly on fixed rent basis, not on income-sharing basis, allowing the REIT to have a stable and long term view for those assets.

In 2016, the REIT Manager worked on improving the tenant mix in Trident Grand Mall, and redesigning Index Tower Mall. The works in Index Tower Mall will start in Q2 2017, with the mall opening planned by end 2017.

VALUATION	NLA	INCOME
16%	13%	12%
SHARE OF PORTFOLIO	SHARE OF PORTFOLIO	SHARE OF PORTFOLIO

The passing income of the Retail sector increased by 15.7% in 2016, as a result of the proactive management of the tenants.

In Trident Grand Mall, the REIT focused on improving the tenant mix, while confirming a supermarket as additional anchor tenant.

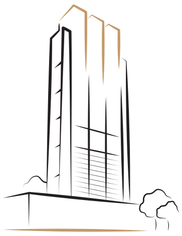
A further increase in market value and passing income is expected with the opening of Index Tower Mall, planned by end 2017.

"We have experienced many landlords, having a combined 15 years in Dubai. Emirates REIT separate themselves from the others. The entire team get the basics right, quickly and efficiently. Highly recommended"

- Chaps & Co
Tenant in Trident Mall

Year ended 31 December	2016	2015
Market Value	USD 123.8 million	USD 118.1 million
	(AED 454.2 million)	(AED 433.4 million)
Net Leasable Area	23,914.94 m^2	23,914.94 m^2
Passing Income	USD 5.9 million	USD 5.1 million
	(AED 21.7 million)	(AED 18.7 million)

Note:
The market value per sector is an estimation based on the percentage of leased area in the sector and the market value of each building.



INDEX TOWER

Index Tower is an iconic 80-storey building located in the DIFC. Completed in 2010, Index Tower is a high-end mixed-use property featuring residential, office and retail components.

Emirates REIT owns 29,771 m^2 of offices, 1,404 car park spaces, and 6,889 m^2 of retail in the tower. The REIT's freehold interests were acquired in phases from May 2013 till December 2014.

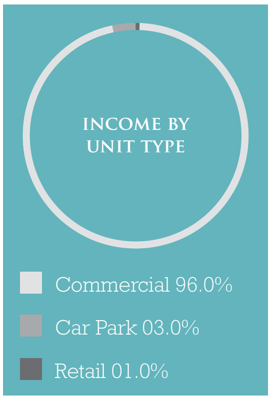
In 2016, to cater to the growing demand for fully fitted & furnished offices, the fit-out of an additional 3,200 m^2 of offices was completed. In 2016, the offices' occupancy increased by 9.2%.

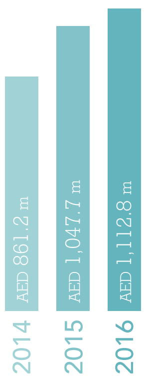
On the retail front, the design of the mall is being completed. The mall is planned to open by end 2017. The pre-leasing of the the units has started, with the confirmation of an anchor tenant planned by end of first-half 2017.

New property and facility managers for the areas owned by the REIT have been appointed beginning 2016. Other contracts have been tendered in Q4 2016 at Principal Body Corporate level for the entire Index Tower, with awarding of new contracts planned within the first half of 2017.

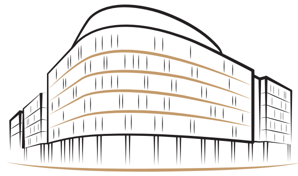
Emirates REIT has worked with Dubai authorities and road consultants to improve traffic access to Index Tower. A building Traffic Impact Study was conducted in Q3 2016 and a traffic situation upgrade (including additional access to the slip road and improved accessibility to the basement car park) is expected in 2017.

A further fit-out of 3,200 m^2 of offices is planned by end 2017.





MARKET VALUE



OFFICE PARK

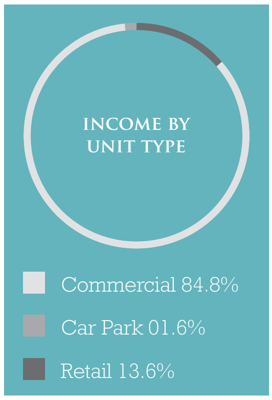
Located within Knowledge Village, a well-established commercial and education district in Dubai, Office Park is a prime commercial building catering to office and retail tenants. Office Park was constructed in 2008 and acquired by Emirates REIT in June 2012 on freehold ownership basis. The building is built as four interconnected blocks in an L-shape, allowing for very large floorplaces particularly attractive to regional head-quarters of international companies such as Coca-Cola, Bayer or Boston Consulting Group.

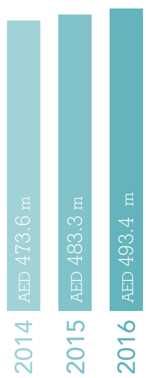
In 2016, Office Park delivered a resilient performance with increases in rental rates being achieved despite a challenging business environment.

The retail area, with its high quality tenant mix, continued to be a hub of activity not just for Office Park tenants but also for the wider community. Featuring restaurants, coffee shops, a supermarket, and other convenience stores, the retail area benefited from the retention and rent renewal of strong retail brands.

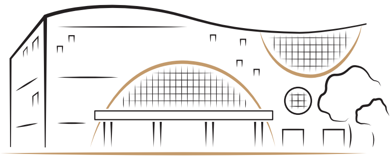
Several key enhancements were undertaken during 2016 including upgrades to the common areas, the addition of a private loading area for the supermarket, improvements to the landscaping and car park (to be continued in 2017), and several energy efficiency measures undertaken throughout the building.

As always, safety and security have been high on the agenda, and the CCTV system has been comprehensively upgraded throughout the year resulting in a safer and more secure environment for both tenants and visitors.





MARKET VALUE



GEMS

GEMS World Academy Dubai is a low-rise education complex located within Al Barsha South, a developing residential district of new Dubai between Jumeirah Village and Dubai Biotechnology and Research Park (DuBiotech).

Extending over a land area of 42,700m^2, GEMS World Academy was acquired by Emirates REIT in October 2013 on a long leasehold ownership title. The complex features reinforced concrete buildings each comprising a ground floor and three levels above ground. GEMS World Academy Dubai is currently on a long-term lease to Premier Schools (operator of GEMS), a Pre-K to Grade 12 international school.

In 2016, GEMS World Academy Dubai enjoyed another steady and successful year, thus providing a stable income to Emirates REIT. The school operator continues to manage the daily operations and the various service providers directly.

TOTAL VALUATION

12%

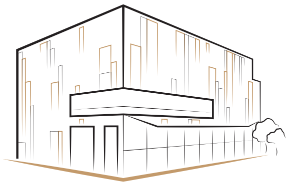
TOTAL INCOME

17%

INCOME BY UNIT TYPE

Education 100%

MARKET VALUE



JEBEL ALI SCHOOL

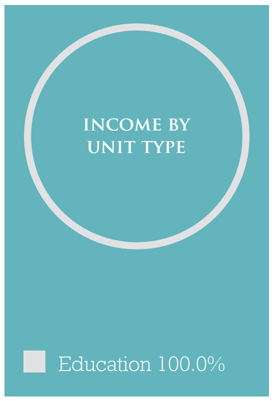
On 2 August 2015, Emirates REIT acquired a 33,301 m² freehold plot of land from Damac Crescent Properties LLC in the Akoya development in Dubailand.

Simultaneously, the REIT entered into various agreements for the construction of a school and

agreed a long term lease arrangement
with Jebel Ali Primary School as the school operator. The land was leased to the operator from day one.

After a year of construction, the new Jebel Ali School was completed on time and on budget for a total construction cost of USD 30 million.

The school opened its doors for the 2016/17 academic year and the 25-year lease with the school operator became effective from 6 September 2016. The school is now fully responsible for the management and maintenance of the buildings.



THE LOFT OFFICES

The Loft Offices is a cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space. Each building comprises one basement level, a ground floor, and four upper floors.

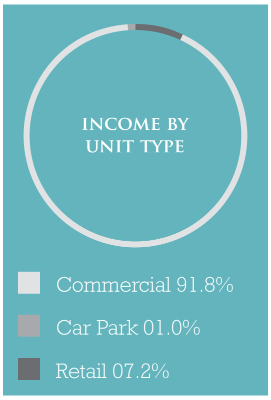
The Loft Offices were acquired by Emirates REIT in December 2011 on a freehold ownership title and comprise a total leasable area of 15,224 m^2.

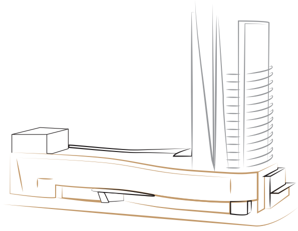
The buildings, featuring various formats of fitted-out offices, are popular amoungst media companies, and let to a diverse group of commercial and retail tenants.

During 2016, The Lofts Offices continued to deliver a strong performance despite the challenging market environment. Blended occupancy levels of the three buildings as at end 2016 is of 89%, and rental rates increased by 5% on avereage over the year.

Various improvements & facility management works were undertaken in 2016, including re-painting of all internal common areas, a comprehensive refurbishment of five office units, and installation of a new CCTV system. Mechanical and electricity works undertaken in 2015 resulted in a reduction of water and electricity bills by approximately 5.4% in 2016.

Further improvements and refurbishment of the buildings are planned for 2017-2018.





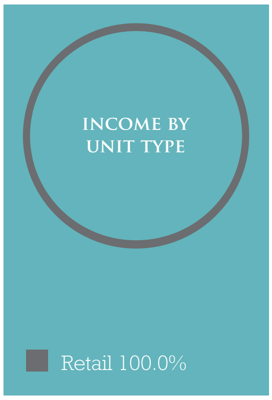
TRIDENT GRAND

Trident Grand Mall (previously Le Grande Community Mall) is the retail component of Trident Grand Residence in Dubai Marina, a mixed-use residential and retail building located in a high-demand beachfront residential and commercial district of new Dubai. The mall entails 22 retail units over two floors with additional customer seating areas and basement car parking providing 161 parking spaces. The asset was acquired in May 2014 and is on a freehold ownership title.

Le Grande Community Mall has been undergoing an active asset management program since its acquisition by Emirates REIT and further progress was made during 2016 with a continuously improving tenant mix.

Several new key outlets opened during the year including Super Care Pharmacy, F45 boutique gym concept, as well as a ladies' salon and a gents' salon. Choithrams supermarket received the necessary fit-out approvals from Dubai Government authorities with a planned opening during H1 2017. In addition, several lease agreements were re-geared with existing tenants to improve performance and income profile.

In 2016, Emirates REIT was elected to the Board of Trident Grand Residence resulting in greater control and transparency over the operational costs of the building. As a result, the mall has seen reduced operational costs on 2015, and energy efficiency improvements have been implemented, resulting in a minor reduction of water and electricity bills year on year.



BUILDING 24

Building 24 is a low-rise building located in a prime area of Dubai Internet City, a well-established hub for entrepreneurs, start-ups, and Information, Communication and Techonogy companies.

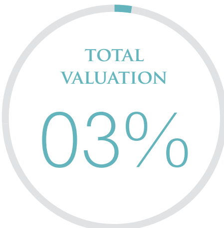
Constructed in 2005 and acquired by Emirates REIT in 2011, the building is of reinforced concrete and covers a land area of 3,812m^2. It comprises a basement and ground floor as well as three upper levels of retail and office space.

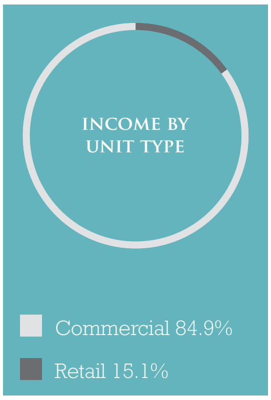
In accordance with the property management and leasing agreement in place, Tecom continues to manage the building and set the rental and service charge rates. In November 2016, the largest tenant left the building and the resultant vacant space was leased at a higher rate than before which will yield a higher rental income in the medium term.

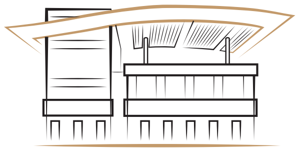
Several cost reduction initiatives have also been undertaken throughout the year which will positively impact the overall expenditure on the asset in 2017.

In December 2016, the facilities management agreement was renewed at a 6% reduction in fees, while a drive to be more energy efficient and the installation of a new chiller have resulted in a reduction in energy bills by over 14% year-on-year.

Landscaping around the building has been improved during the year and further improvements to the water features are planned for 2017.







INDIGO

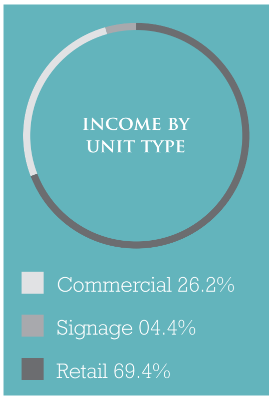
Indigo 7 is located along the northern side of Sheikh Zayed Road within the Al Manara district of Dubai, a primarily residential area. The building is a low-rise development constructed in 2009 and acquired by Emirates REIT in September 2011. Its ownership title is a contractual interest similar to tenancy rights. The building, highly visible from Sheikh Zayed Road, is situated on a land plot that comprises approximately 1,394m^2 and features retail and office components.

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

Indigo 7's operational performance continued to be stable in 2016 with some improvement over the previous year as the passing rates increase by 8.47% over the year.

The building's active maintenance and improvement program continued with various repair and enhancement works being carried out during the year, such as water tank and air conditioning repairs, as well as repainting of common corridors and new signages to improve the look and feel of the building.

Kaizen Asset Management Services have been engaged as property manager of the building while Enova has been appointed as the new facility manager from 1 January 2017 onward.



BCCS

In 2016, Emirates REIT grew its investments in the education sector by acquiring a 25,000m^2 leasehold land plot in Dubai Investment Park for the development of the British Columbia Canadian School. The K-12 school is located within the catchment area of the populous communities of Arabian Ranches, Jumeirah Golf Estates, Jumeirah Village Circle, The Green Community, Motorcity and Dubai Sports City and near a future metro station.

Emirates REIT acquired the plot from the British Columbia Canadian School and immediately leased back the property to the school operator for a 28 year lease term.

Emirates REIT is funding the development of the school facilities at an estimated cost of USD 24 million (AED 88 million).
Phase one of the construction is targeted for completion by the start of the academic year 2017/18, while Phase two completion is planned for the start of academic year 2018/19.

Throughout 2016, construction contracts were awarded and work on site commenced, with the official ground-breaking ceremony taking place on 31 October 2016. The British Columbia Canadian School is being built to the operator's specifications, with a planned total built up area of 17,156m^2.

The completed complex will consist of three main blocks: a kindergarten, a junior school and a senior school, including shared facilities such as football fields, gymnasium, dining hall, auditorium, administration offices, and car parking.

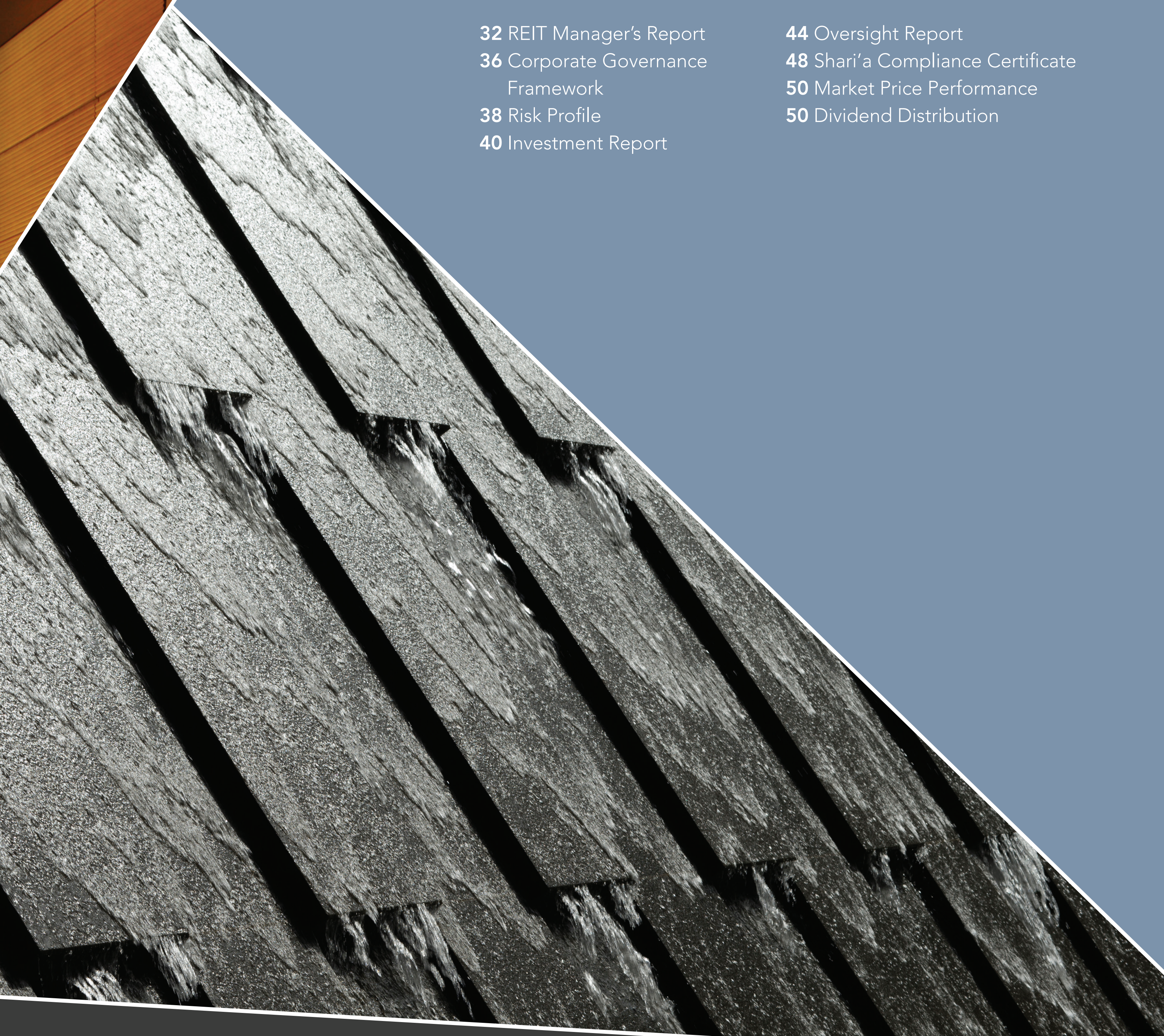
TOTAL VALUATION
01%

TOTAL INCOME
06%

INCOME BY UNIT TYPE

Education 100.0%

MARKET VALUE



GOVERNANCE

REIT MANAGER'S REPORT

The Directors present their report and the audited consolidated financial statement for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The Results for the year ended 31 December 2016 are stated in the Statement of Comprehensive Income.

An interim dividend relating to 2016 of USD 0.04 per ordinary share was paid on 30 January 2017.

The directors will recommend a final dividend in respect of the year ended 31 December 2016 with the announcement of the Annual General Meeting 2017. If authorized at the 2017 AGM, the dividend will be paid on or before 30 June 2017.

DIRECTORS

Details of the Corporate Governance framework and the directors are set out on page 36 of this report.

No member of the Board has a material interest in any contract of significance with the Company, at any time during the year.

SHARE CAPITAL

Emirates REIT (CEIC), 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 C000012. It operates under the laws and regulations of the DIFC and DFSA, and in accordance with the principles of Shari'a.

At 31 December 2016, the Company's issued share capital comprised a total of 299,620,541 ordinary shares of USD 1.15 each.

The REIT has one class 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.

In February 2013, the REIT was granted a Ruler's decree which allowed the REIT to invest, through its onshore Dubai Branch, in properties onshore Dubai. The decree requires that the REIT must comply with Law 7 of 2006 whereby 51% ownership of the REIT must be retained by GCC nationals.

Hence there are restrictions of 49% of non-GCC ownership maximum, which are monitored by the REIT Manager and Nasdaq Dubai. Public notification will be made if the shareholding nears 49%.
At 31 December 2016, the GCC shareholding was 63%.

PURCHASE OF OWN SHARES

At the 2016 AGM, the REIT was granted the authority to make one or more market purchases of its own shares, under the following conditions:

01. the number of ordinary shares which may be purchased in any given period and the price which may be paid for such ordinary shares shall be in accordance with the rules of the DFSA and Nasdaq Dubai, and any conditions or restrictions imposed by the DFSA and applicable law;

02. the ordinary shares must be purchased prior to the conclusion of the next Annual General Meeting of the REIT unless a contract to purchase such ordinary shares under this authority was made before the expiry of this authority at the conclusion of the next Annual General Meeting of the REIT.

This authority will expire at the conclusion of the 2017 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 2016 or in the period from 1 January 2017 to 30 April 2017.

SUBSTANTIAL HOLDINGS

At 31 December 2016, 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%
General Pension Fund	5.40%

FINANCIAL INSTRUMENTS

All financial facilities are Shari'a Compliant.
For further details, see our financial statements.

AUTHORIZATION OF DIRECTORS' CONFLICTS OF INTERESTS

Directors are required to notify the REIT of any conflict or potential conflict of interest and make an annual declaration. The Board confirms that no conflicts have been identified or notified to the REIT during the year.

2017 ANNUAL GENERAL MEETING

The 2017 AGM will be held in June 2017 and will 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.

AUDITORS

PricewaterhouseCoopers (Limited) were reappointed as auditor at the 2016 AGM, until closing of 2017 AGM.

RELATED PARTY TRANSACTIONS

At the 2016 AGM, the shareholders authorized the REIT (and the REIT Manager on behalf of the REIT) to enter into transactions with Related Parties, pursuant to the DFSA CIR Rules.

MANAGEMENT CHANGE

Following the departure of Ms. Hannah Jeffery in February 2016, Mr. Sylvain Vieujot was appointed Senior Executive Officer of the REIT Manager.

Mr. Abdul-Wahab Al Halabi resigned from the Oversight Board in order to join the REIT Manager as Group Chief Investment Officer. Mr. Al Halabi also served as interim Chief Financial Officer until April 2017.

Mr. Remi Ishak joined in April 2017 as Chief Financial Officer.

LIQUIDITY PROVIDER

Shuaa Capital International Limited was appointed as liquidity provider in May 2016.

CHANGE OF NAME OF THE REIT MANAGER

In December 2016, the REIT Manager changed its name to Equitativa (Dubai) Limited. The REIT Manager also changed its address within DIFC to Index Tower, Level 23.

EXCLUSIVE EMIRI DECREE GRANTED

Equitativa Real Estate Limited, the parent company of the REIT Manager, was granted an exclusive Emiri Decree allowing the REIT to invest in Ras Al Khaimah.

CORPORATE GOVERNANCE FRAMEWORK

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

MANAGEMENT BOARD

The Management Board is responsible for guiding the REIT in their day to day operations, expanding and optimizing the REIT's Portfolio.

It is comprised of Mr. Abdulla Al Hamli (Independent Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman), and Ms. Magali Mouquet (Executive Director).

INVESTMENT BOARD

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

It is comprised of Mr. Marwan Bin Ghulaita, Mr. David Savy, and Mr. Abdulla Al Hashemi.

OVERSIGHT BOARD

The Oversight Board is responsible for reviewing and advising the Board on the REIT Managers' internal system and controls, fund properties safe keeping, risk management and compliance with the laws, rules and constitution of the REIT.

On 1 January 2016, the Oversight Board comprised of Mr Nasser Rafi, Mr. Abdul Wahab al-Halabi and Mr. Suresh Kumar. In May 2016, following Mr. Nasser Rafi resignation, Mr. Fahad Kazim was appointed. Mr. Abdul Wahab al-Halabi joined the Equitativa Group on 2 June 2016 as Group Chief Investment Officer, and therefore left the Oversight Board and Mr. Fardan Ali Al Fardan was subsequently appointed to the Oversight Board effective 28 July 2016.

ADVISORY BOARD

The Advisory Board provide expert strategic advice, general views and assistance to the REIT on the current state of the real estate market together with opinions on recent trends and developments. The Advisory Board members can also provide specifc ad-hoc advice in relation to various projects as needed.

The advisory board members are Mr. Khalid Al Malik (Dubai Properties Group LLC), Mr. Michael Wunderbaldinger (TECOM Investments FZ LLC), and Mr. Kunal Bansal (Vintage Bullion DMCC).

SHARI'A BOARD

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

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

RISK PROFILE

INVESTMENT OBJECTIVE

The key investment objective of Emirates REIT is to provide shareholders with a Shari'a Compliant income by maintaining a stable dividend distribution and increasing shareholder value through accretive acquisitions, active asset management 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 the consent of the Investment Board, the Shari'a Board and eventually the Management Board. In case of a Related Party transaction, the Oversight Board will also need to give their consent.

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 the income stability and overall returns. Since the incorporation of the REIT, the REIT Manager's team has studied over 750 investment opportunities, ensuring their knowledge of the market and quick actions.

Active Asset Management Strategy

The Portfolio of the REIT is managed actively, in order to increase income and market valuations in the aim of delivering strong returns to the Shareholders. The REIT Manager works closely with the property managers appointed to the buildings to optimise its portfolio in terms of occupancy and achievable rental income.

The REIT Manager 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 proactive management of the leases;
- Increase rental rates and property yields;
- Enhance the operating efficiency of the portfolio.

RISK PROFILE

The REIT's risk appetite is conservative and is not expected to increase as a result of any projected strategic changes in the foreseeable future.

The portfolio has a relatively low risk profile benefiting from diversification across asset classes and long-term leases with a weighed average lease term of 8.5 years as at 31 December 2016, and only 17% of the leases expiring in the next three years (7% only within one year).

To maintain a strong financial position, the REIT seeks to adopt a prudent capital and financial management strategy, in an attempt to ensure continuous access to funding while maintaining stable dividend distributions and achieving steady growth in Net Asset Value per Share.

The REIT's continued performance is subject to, among other things, the conditions of the property market in the UAE, which can affect both the value and the rental income of any properties of the portfolio. Any deterioration in the property market could result in declines in rental incomes, in occupancy and in value of the properties. It may also weaken the REIT's ability to obtain financing for new investments.

Any of the above, amongst others 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 Board and as guided by the shareholders and at all times conforming to the investment policy defined by the REIT.

RISK MANAGEMENT

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 a broad range of properties and seeking quality tenants with attractive lease terms and covenants;
- using Shari'a compliant debt financing as an attempt to provide additional capital and improve Shareholder returns over the long term where such Shari'a debt financing is appropriate, and ensuring that the gearing does not exceed 50% of the gross asset value;
- continually revisiting lines of credit and assessing a variety of possible financing structures; and
- actively considering opportunities to raise funds by way of the issue of new Shares in the long term.

INVESTMENT REPORT

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

The Board considers whether each proposed transaction is in line with the investment policy and overall strategy of the REIT, as well as assess the risk profile and opportunities relating to each proposal. It also ensures that all transactions are compliant with the applicable laws and regulations in place.

Debt level of 37.8% loan-to-value with financial headroom of approx. $190m

INVESTMENT OBJECTIVE

The key investment objective of Emirates REIT is to provide shareholders with a Shari'a Compliant income by maintaining a stable dividend distribution and increasing shareholder value through accretive acquisitions, active asset management and capital appreciation.

In 2016, the REIT acquired the British Columbia Canadian School (see acquisition detailed below).

As at 31 December 2016, the debt level was still at a conservative gearing level of 37.8% loan-to-value, compared the maximum allowed of 50% loan-to-value resulting in financing headroom of approximately AED 700m (USD 190m).

The REIT Manager continues to pursue a pipeline of new investment opportunities, prioritizing income producing assets to complement the existing portfolio.

Jebel Ali School completed on time and within budget

INVESTMENT ACTIVITIES DURING 2016

During 2016, the REIT completed construction of the Jebel Ali School land plot, acquired in 2015, on time and within budget. Building on the track record gained from the successful experience at JAS and consistent with the business model (built-to-suit educational facilities for well established, credible operators structured on a secure long term escalating lease); the REIT considered and acquired a land plot for the British Columbian Canadian School.

Under long-term lease at the start of 2016

Jebel Ali School ("JAS")

Following the acquisition of the land plot on 2 August 2015, the construction of the premises were completed on time and within budget. JAS started operating under the long-term lease at the start of the 2016 school year as planned.

British Columbia Canadian School ("BCCS")

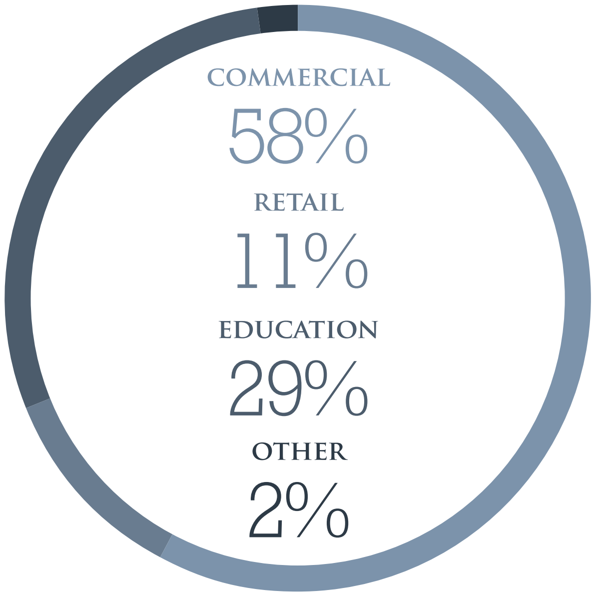
The Investment Board reviewed and unanimously provided their consent for the acquisition of the British Columbia Canadian School, which consisted of the acquisition of the interest in a leasehold land plot, the construction of the premises and the long-term lease to the school operator, for a total investment of about AED 88m (USD 24m) – including acquisition costs.

Leased to the operator and the construction started immediately

The leasehold land plot was acquired on 27 September 2016. The plot was subsequently leased to the operator and the construction of the premises started immediately.

This project is in accordance with DFSA CIR Rule 13.5.4. The contract value of the Project at 31 December 2016 was 4.8% of the Net Asset Value, significantly below the 30% limit of assets under development, as specified in DFSA CIR Rule 13.5.4.

PORTFOLIO PERFORMANCE

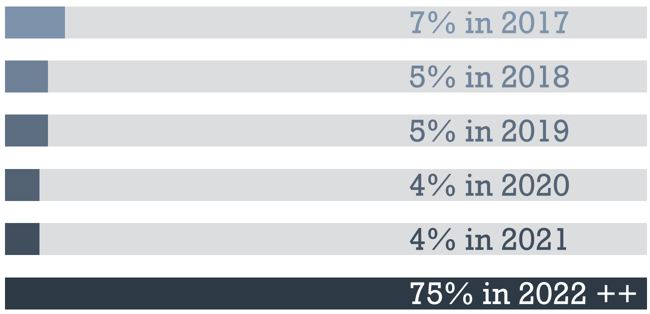


The REIT owns 9 properties, including 3 education complexes, 1 retail and 5 mixed-use commercial assets. As of 31 December 2016, portfolio occupancy is at 81%, a stable increase of 4.4% from last year, with Index Tower being occupied at 20.3% (from 13.5% as of December 2015).

The property value increased by 12% in FY2016, to USD 752.7m (AED 2.8 Billion) from USD 673.2m (AED 2.5 Billion) in FY2015. This is reflected in the growth of Net Asset Value to USD 493.4m (AED 1.8m) for FY2016 from USD 469.6m (AED 1.7m) in FY2015.

The Funds From Operations as at 31 December 2016 are USD 11.3 m (AED 41.5 m), an increase of 38% from last year, primarily driven by the realization of full revenues from completed development assets (Jebel Ali School and several office floors in Index Tower).

PORTFOLIO RISK



The portfolio has a relatively low risk profile benefiting from diversification across asset classes and long-term leases with a weighted average lease term of 8.5 years as at 31 December 2016, and only 17% of the leases expiring in the next three years (7% only within one year).

ASSET MANAGEMENT

The REIT Manager proactively managed the portfolio, which enhanced the property income yield to 7.6% (compared to 6.9% as at 31 December 2015).

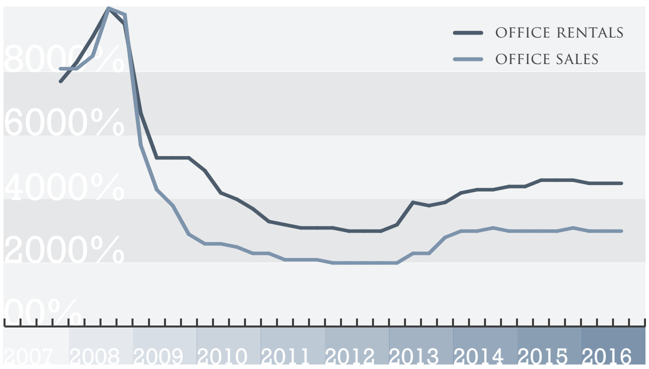
While the market has softened in the past 12 months, the REIT Manager focused on enhancing the marketing strategy, optimizing the efficiency of the assets and controlling costs.

The REIT Manager maintained a healthy average increase of 5% for existing lease rates in the portfolio, and a total increase in rental income of 22.8% year-on-year, leading to a total portfolio return of 10.2%.

OUTLOOK AND PIPELINE

The REIT Manager's acquisition team remained very active in 2016, sourcing, analysing and negotiating a pipeline of more than 750 assets across the UAE.

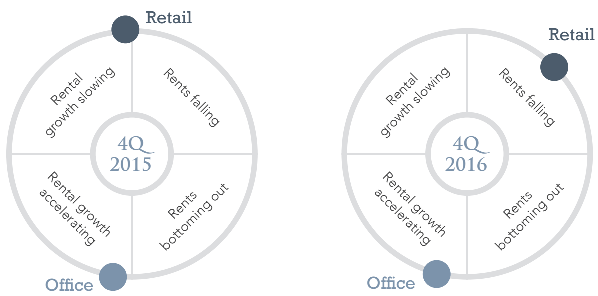
The portfolio strategy is anticipated to remain consistent in 2017, maintaining a stable dividend distribution, and increasing shareholder value through accretive acquisitions, active asset management and capital appreciation.



CORPORATE ACTIVITIES OF THE INVESTMENT BOARD DURING 2016

Mr Abdullah Al Hashemi, Mr Marwan bin Ghulaita, and Mr David Savy, the directors of the investment board, were reappointed to the Board at the 2016 AGM.

Their appointment will be discussed during the next Annual General Meeting, scheduled in June 2017.



OVERSIGHT REPORT

Dear shareholder,

The Oversight Board is responsible for reviewing and advising the Board on the REIT Manager's internal system and controls, fund properties safe keeping, risk management and compliance with the laws, rules, and constitution of the REIT.

FINANCIAL ACTIVITIES

The Board reviewed the key financial information published during the year 2016, including the half-year financial statements, the quarterly factsheets and the 2016 Annual Financial Statements.

It considered accounting policies adopted by the REIT Manager, the presentation and disclosure of the financial information and in particular, the key judgments made by the management in preparing the financial statements.

The Board considered whether the Annual Financial Statements were fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the REIT's performance, business model, and strategy.

The Board was satisfied that, taken as a whole, the general financial communication of the REIT was fair, balanced and understandable and included the necessary information as set out above. The Board considered the appropriateness of the activities of the REIT. The significant areas considered are set as below:

Type of Investment

The REIT currently owns investments that are consistent with its constitution and license. The REIT stayed compliant with its maximum limit of 40% of cash, government or public securities throughout the year and as at 31 December 2016. The REIT does not own any government or public securities.

Valuation of Investment Properties

The valuation opinion is provided by independent external valuers and is one of the critical components of the annual and half-year financial results. The members discussed the market conditions with the management. In March 2016, one the valuers, Asteco Property Management, was reappointed after an initial tenure of 5 years, and in accordance with the rules.

The Board considered the valuation while reviewing the financial statements with the management and is satisfied that the valuations of the REIT's properties were conducted in accordance with the rules.

Borrowing Limit

As at 31 December 2016, the Gross Asset Value ("GAV") of the REIT was USD 832 million (AED 3 billion). The Board noted that the REIT's total outstanding borrowings amounted to USD 315 million (AED 1.16 billion), representing 38% of the GAV, which is in compliance with the REIT on the borrowing limit.

New Investments

The Board reviewed the acquisition of the interest in a 25,000 sqm leasehold land plot from the British Columbia Canadian School. There were no related parties involved in this transaction, and this acquisition was consistent with the investment objectives and policy of the REIT.

Equitativa Real Estate Limited ("Equitativa") (formerly named Eiffel Management Limited), the parent company of the REIT Manager was granted an exclusive Emiri Decree enabling the current and future REITs managed by Equitativa to invest in real properties in the Emirate of Ras Al Khaimah, subject to certain conditions. The conditions are consistent to the ones already granted to Emirates REIT in the Emirate of Dubai.

Net Asset Value

The Net Asset Value ("NAV") is calculated by an independent external administrator and is published regularly through the REIT regulatory announcement service. The Board considered and was satisfied with the process of calculation and publication of the NAV.

RISK REVIEW PROCESS

The Board regularly discussed and advised the management on the principal risks, and reviewed the risk scenario analysis prepared by the management. The Board further reviewed the internal controls framework of the REIT Manager and was satisfied that the REIT Manager met the essential requirements and has the adequate systems and controls in place.

RELATED PARTY TRANSACTIONS

The Board monitored the Related Party Transactions. All Related Party Transactions were based on existing approved contracts/lease agreements, and there were no new Related Parties Transactions in 2016.

Related Party	Transaction	Transaction Value
REIT Manager	Management & Performance Fee	- USD 13,199,761
REIT Manager	Rental Income & Service Charges	+ USD 141,098
Dubai Islamic Bank	Rental Income & Service Charges	+ USD 254,619
Dar Al Sharia Consultancy	Professional Fees	- USD 39,431
Dubai Properties Group	Rental Income & Service Charges	+ USD 110,134
Oversight Board	Professional Fees	- USD 87,500

DIVIDENDS

The REIT distributed both an interim and final dividend payment relating to the financial year 2015, equating to a total dividend payment of USD 23.96 million (USD 0.08 per share).

The Board considered the dividend distributions and was satisfied that they were in accordance with the Laws, Rules and the Constitution.

As a post period event, the REIT distributed an interim dividend payment relating to the financial year 2016 of USD 11.98 million (USD 0.04 per share), in January 2017.

MISCELLANEOUS

New and revised rules affecting the REIT governance came into effect in February 2016.

The Board was informed and trained on the new and revised DFSA rules applying to the REIT, including those regarding the borrowing limit and the custody requirements. As a consequence of those new and revised rules, the previous waivers granted to the REIT Manager regarding the borrowing limit and custody requirements are no longer required.

During 2016, there were no sale, issue or cancellation of REIT shares and the management didn't initiate any share buy-back scheme.

The Board monitored the systems and controls surrounding the safe custody of the REIT's Real Property and was satisfied that they were in accordance with the DFSA requirements.

The Board was satisfied that the REIT Manager complies with the terms and conditions of the REIT's license and constitution.

BOARD MEMBERS AND ATTENDANCE

Number of meetings attended by Board Members

Suresh Kumar	●●●○
Nasser Rafi (until 2 May 2016)	○○○○
Fahad Abdulrahim Kazim (from 2 May 2016)	●●●●
Abdul Wahab Al Halabi (until 2 June 2016)	●●○○
Fardan Ali Al Fardan (from 2 June 2016)	○○●●

KEY ACTIVITIES DURING THE YEAR

Financial Activities

Reviewed and monitored the integrity of the published financial information including the year-end result, quarterly reports and announcements.

Reviewed and monitored the investments requirements and borrowing limits.

Monitored the assets valuation requirements.

Reviewed and monitored the calculation of the NAV.

Audit

Monitored the Related Parties transactions.

Ensured that the custody systems and controls remain adequate.

Ensured that the Service Provider Review was completed.

Controlled that the REIT Manager complied with the terms and conditions of its commercial license and its constitution.

Reviewed the systems and controls.

Miscellaneous

Discussed and advised the board on several business matters, including the Ras Al Khaimah Royal Decree enabling the REIT to acquire real estate assets in the Emirate of Ras al Khaimah.

Considered the Human Resource planning of Equitativa (Dubai) particularly the need of authorized individuals to receive training on the changes of DFSA rules.

SHARI'A COMPLIANCE CERTIFICATE

Issued by the Shari'a Supervisory Board for the period ended 31 December 2016.

SUBJECT OF THIS CERTIFICATE

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

SHARI'A SUMMARY OF THE REIT

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

The REIT has a Shari'a Supervisory Board, which advises the REIT pursuant to IFR Rule 6.2.1(2) and provides on-going and continuous supervision of and adjudication in all Shari'a matters for the REIT. The Shari'a Supervisory Board has final authority with regard to the Shari'a compliance of all business and activities of the REIT and the audit of its investment records for Shari'a compliance. The assessment of the Shari'a Supervisory Board with regard to Shari'a compliance of all business and investment activities of the REIT is binding on the REIT and the Shareholders in terms of Shari'a compliance.

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

REFERENCE FOR THIS CERTIFICATE

The Shari'a Supervisory Board of the REIT has examined the Annual Report of Shari'a Review conducted by Dar Al Sharia Limited ("Dar Al Shari'a") on the REIT for the period commencing from 1 July 2016 and ending on 31 December 2016 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

SUPERVISORY BOARD

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

a) We have reviewed the Shari'a Review Report submitted by Dar Al Shari'a covering the various Activities and Transactions of the REIT and evaluated the observations therein for the purpose of this Certificate.

b) We have reviewed the principles followed and contracts related to Activities and Transactions undertaken by the REIT relying on the Shari'a Review Report in order to express an opinion as to whether the REIT has undertaken its Activities and Transactions in accordance with Principles of Shari'a and the specific Fatawa, resolutions and guidelines issued by us.

PRONOUNCEMENT BY SHARI'A SUPERVISORY BOARD

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

a) The Activities and Transactions executed by the REIT during the period commencing from 1 July 2016 and ending on 31 December 2016 (as reviewed by Dar Al Shari'a pursuant to the Shari'a Review Report) were carried out in accordance with the rules and principles of Shari'a.

b) The distribution of profits and losses complies with the basis approved by us in accordance with the principles of Shari'a.

c) All income achieved from the Activities and Transactions were in line with principles of Shari'a.

d) All of the tenants of the properties currently owned by the REIT are in line with the principles of Shari'a.

e) All of the REIT's financing is in accordance with the principles of Shari'a.

f) All contracts, including leases are in accordance with the principles of Shari'a.

g) Since the management of the REIT is not authorized to pay Zakat directly, the responsibility of paying Zakat is that of the shareholders.

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

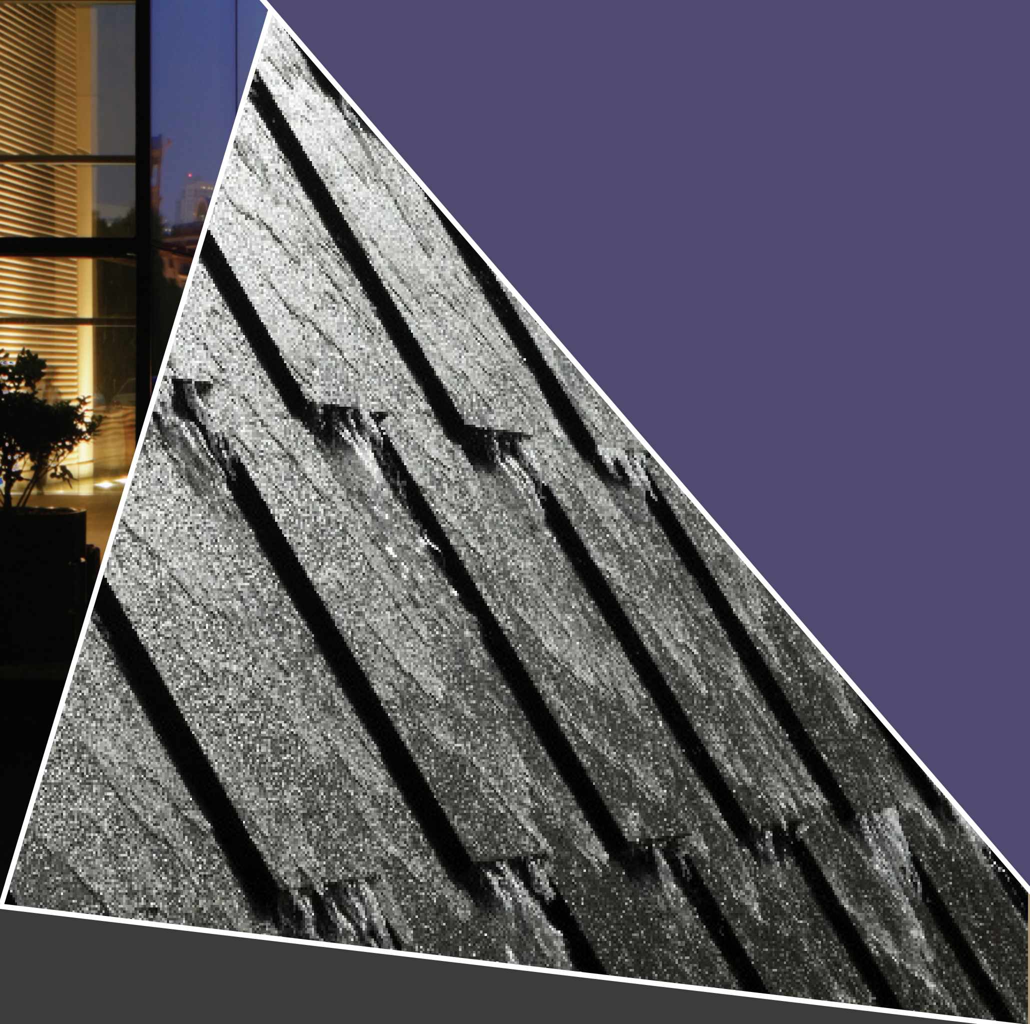
Note:
For Shari'a Compliance Certificate relative to the period starting 1 January 2016 and ending 30 June 2016, please refer to our H1 2016 Report.

MARKET PRICE PERFORMANCE

	Highest	Lowest	As at 31 December
2016	USD 1.24	USD 1.09	USD 1.15
2015	USD 1.30	USD 1.09	USD 1.26
2014	USD 1.49	USD 1.20	USD 1.30

DIVIDEND DISTRIBUTION

	Per Unit	Date	Total Distributed
2016			
Final	TBC	TBC Expected 30 Jun 2017	TBC
Interim	USD 0.04	31.01.2017	USD 11,984,821
Total	**TBC**		**TBC**
2015			
Final	USD 0.04	30.06.2016	USD 11,984,821
Interim	USD 0.04	31.01.2016	USD 11,984,821
Total	**USD 0.08**		**USD 23,969,642**
2014			
Final	USD 0.04	30.06.2015	USD 11,984,821
Interim	USD 0.04	31.01.2015	USD 11,984,821
Total	**USD 0.08**		**USD 23,969,642**
2013			
Final	USD 0.05	30.06.2014	USD 14,981,027
Total	**USD 0.05**		**USD 14,981,027**
2012			
Final	USD 2.00	30.06.2013	USD 2,550,364
Interim	USD 3.00	31.01.2013	USD 3,788,886
Total	**USD 5.00**		**USD 6,339,250**



Emirates REIT

FINANCIAL STATEMENTS

for the year ended 31 December 2016

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

Basis for opinion

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

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

What we have audited

The REIT's financial statements comprise:

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

Independence

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

OUR AUDIT APPROACH

OVERVIEW

Key audit matter : Fair valuation of investment property

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

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

KEY AUDIT MATTER

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

FAIR VALUE OF INVESTMENT PROPERTY (refer to note 5)

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

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

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

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

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

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

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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

- We reconciled the investment property value on the balance sheet to the external valuation report.
- We tested the accuracy of the total gain on investment properties by recalculating the difference in fair values of individual investment properties between 31 December 2015 and 31 December 2016.
- We involved our own, in-house property valuation experts to assess the methodologies used by the REIT's external valuer and the appropriateness of the underlying assumptions by performing the following procedures:

  - Reviewed the methodology applied by the external valuer to ensure it is appropriate;
  - Assessed the reasonableness of assumed of rents and comparable sales and compared them against market evidence; and
  - Assessed the capitalisation rates and yields to ensure they are appropriate and in line with current market conditions.

- Evaluated the external valuer's independence, experience and reputation in the property valuation field; and
- We also focused on the adequacy of the REIT's disclosures in Note 5 to the financial statements about those assumptions to which
- the outcome of the fair valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the REIT's investment properties.

OTHER INFORMATION

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) the financial statements have been properly prepared in accordance with the applicable requirements of the DFSA;

ii) the REIT has maintained proper books of accounts and the financial statements are in agreement therewith; and

ii) we have obtained all the information and explanations which we considered necessary for the purposes of our audit.

PriceWaterhouseCoopers
Dubai, United Arab Emirates

Audit Principal - Mohamed El Borno
26 February 2017

BALANCE SHEET

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

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

Sylvain Vieujot
Executive Deputy Chairman

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

The notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

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

The notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

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

The notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	2016	2015
		FOR THE YEAR ENDED 31 DECEMBER	
		USD' 000	USD' 000
Operating activities			
Profit for the year		47,822	61,499
Adjustments for:			
Net unrealised gain on revaluation of investment property	5	(36,476)	(53,253)
Finance costs		9,322	6,580
Finance income		(67)	(17)
Provision for doubtful debts		228	78
Operating cash flows before changes in working capital		20,829	14,887
Changes in working capital:			
Trade and other receivables		(11,038)	(2,272)
Trade and other payables		9,769	4,195
Net cash generated from operating activities		19,560	16,810
Investing activities			
Additions to investment property		(41,611)	(43,701)
Finance income received		67	17
Net cash used in investing activities		(41,544)	(43,684)
Financing activities			
Islamic financing obtained, net		54,728	103,925
Dividends paid	12	(23,969)	(23,969)
Finance cost paid		(7,937)	(5,976)
Net cash generated from financing activities		22,822	73,980
Net increase in cash and cash equivalents		838	47,106
Cash and cash equivalents at the beginning of the year		63,735	16,629
Cash and cash equivalents at the end of the year	7	64,573	63,735

The notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Statement of compliance

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

Income and cash flow statement

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

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

Preparation of the financial statements

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

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

2.1.1 Changes in accounting policies and disclosures

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

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

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

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

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

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

2.2 Segment reporting

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

2.3 Foreign currency translation

a. Functional and presentation currency

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

b. Transactions and balances

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

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

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

2.4 Investment Property

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

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

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

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

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

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

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

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

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

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

2.5 Leases

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

a. REIT as a lessee

i. Operating lease

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

b. REIT as a lessor

Leases in which the REIT does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.
Refer note 2.13 for accounting policy on recognition of rental income.

2.6 Financial assets

Classification

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

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

Recognition and measurement

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

Derecognition

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

Impairment of financial assets

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

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

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

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

2.7 Cash and cash equivalents

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

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

2.8 Rental and service income receivables

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

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

2.9 Share capital

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

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

2.10 Islamic financing

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

After initial recognition, profit bearing Ijarah is subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognized as well as through the effective profit rate amortization process.
Ijarah rent expense is recognised on a time-proportion basis over the Ijarah term.

2.11 Trade and other payables

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

2.12 Provisions

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

2.13 Revenue recognition

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

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

Rental Income

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

Service fee income

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

2.14 Property expenses

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

2.15 Management fee

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

2.16 Performance fee

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

2.17 Finance income and costs

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

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

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

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

2.18 Earnings per share

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

2.19 Dividend distribution

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

2.20 Earnings prohibited by Shari'a

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

a. Profit rate risk

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

b. Foreign currency risk

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

c. Credit risk

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

(i) Tenants

The REIT Manager maintains the property portfolio under continual review to minimise tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition. New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease. Amounts receivable from a single customer at 31 December 2016 represented 17% (31 December 2015: 25%) of the total rental and service fee income receivable.

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

(ii) Financial counterparties

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

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

*Not rated by Moody's or Fitch.

d. Liquidity risk

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

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

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

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

e. Capital management

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

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

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

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

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

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

3.2 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Judgements

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

Revaluation of investment property

The REIT carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. The REIT engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment property held, to determine the fair values of investment property as at 31 December 2016. For income producing investment property, a valuation methodology based on the capitalisation rate method was used as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings.

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

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

Operating lease commitments — REIT as lessor

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

4.2 Going concerns

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

5 INVESTMENT PROPERTY

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

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

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

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

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

British Columbian Canadian School

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

The fair valuations of investment property were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, the REIT Manager took into account potential changes in rental levels from each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rates and property costs. Fair value hierarchy disclosures for investment property has been provided in Note 3.2.

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

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

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 comparision method was used by comparing it with prices achieved from transactions in similar properties.

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

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

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

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

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

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

6 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

7 CASH AND CASH EQUIVALENTS

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

Balances with banks are placed with local Islamic banks.

8 SHARE CAPITAL

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

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

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

9 ISLAMIC FINANCING

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

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

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

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

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

Compliance with loan covenants

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

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

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

The financing facilities are secured by the following:

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

10 TRADE AND OTHER PAYABLES

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

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

11 ZAKAT

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

12 DIVIDENDS

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

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

13 RELATED PARTY TRANSATIONS

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

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

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

a. Related party transactions

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

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

b. Due to related parties comprises:

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

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

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

All transactions with related parties are approved by the REIT Manager. Outstanding balances at the year-end are unsecured and profit free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with key management personnel

During the years ended 31 December 2016 and 31 December 2015, there were no key management personnel as the REIT is managed by the REIT Manager for which a REIT Management fee is paid.

14 EARNINGS PER SHARE

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

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

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

15 COMMITMENTS AND CONTINGENCIES

Commitments

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

Contingencies

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

Operating lease commitments — REIT as lessee

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

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

Operating lease commitments — REIT as lessor

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

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

16 SUBSEQUENT EVENTS

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


OUR DETAILS

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