



Emirates Reit

# Annual Report 2014

Emirates REIT (CEIC) Limited

This Report contains certain 'forward-looking' statements.

Such statements reflect current views on, among other things, our markets, activities and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or variations or comparable terminology.

By their nature, forward-looking statements involve inherent risks and uncertainties because they relate to future events and circumstances which may or may not occur and may be beyond our ability to control or predict. Therefore they should be regarded with caution. Important factors that could cause actual results, performance or achievements of Emirates REIT (CEIC) Limited ("Emirates REIT") to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety, changes in political and economic stability, changes in occupier demand and tenant default and the availability and cost of finance. Such forward-looking statements should therefore be construed in light of such factors. Information contained in this Report relating to Emirates REIT or its share price, or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of future performance.

Any forward-looking statements made by or on behalf of Emirates REIT speak only as of the date they are made and no representation, assurance, guarantee or warranty is given in relation to them (whether by Emirates REIT or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared. Other than in accordance with our legal and regulatory obligations, Emirates REIT does not intend or undertake to update or revise forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based.

This report for the-year ended 31 December 2014 has been prepared by Emirates REIT Management (Private) Limited as the Manager of Emirates REIT (CEIC) Limited. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any investment decision that relies on this information.

# KEY FIGURES

## Income and Earnings

USD '000	Financial year ended – Audited		Change
	31 December 2014	31 December 2013	
Property income	36,926	24,421	12,505
Net rental income	27,029	18,666	8,363
Net property income	64,447	45,952	18,495
Operating profit	53,678	38,671	15,007
Finance cost, net	(5,120)	(3,825)	(1,295)
Net Profit	48,558	34,846	13,712
Adjusted Net Profit*	11,887	8,263	3,624
EPS (USD)	0.19	0.26	(0.07)

\*excluding revaluation and IPO costs

## Balance sheet

USD '000	Financial year ended – Audited		Change
	31 December 2014	31 December 2013	
Investment property	575,332	323,131	252,201
Total assets	594,149	333,210	260,939
Equity	432,036	205,058	226,978
Liabilities	(162,113)	128,152	(33,961)
NAV per share in USD	1.4419	1.3522	0.0897*
LTV	25.8%	31.7%	(5.9pp)
Loan to NAV	35.5%	51.5%	(16.0pp)

\*total movement excludes a dividend payment of USD 0.05 per share



## السادة المساهمين الكرام،،،



يطيب لي أن أعرض على حضراتكم أول نتائج مالية سنوية نعلن عنها منذ إدراج أسهمنا في بورصة ناسداك دبي خلال شهر أبريل من العام 2014.

لقد حققت الإمارات ريت أداءً قوياً خلال العام الماضي على الصعيدين المالي والتشغيلي. فمع نهاية العام 2014، بلغت القيمة السوقية للمحفظة الاستثمارية لـ "الإمارات ريت" والمكونة من 7 أصولٍ عقارية، 575.3 مليون دولار أمريكي (2.1 مليار درهم)، بنمو بمقدار الضعف مقارنة بالعام 2013. وارتفع صافي أرباح الشركة بنسبة 39.3% ليصل إلى 48.56 مليون دولار، كما ارتفع صافي الأرباح، باستثناء المكاسب المحققة من إعادة تقييم الأصول وتكاليف الاكتتاب العام، بنسبة 43.9% ليصل إلى 11.89 مليون دولار. وتتوقع شركة الإمارات ريت توزيع أرباح نقدية نهائية على المساهمين عن العام 2014 في يونيو من العام الجاري.

وبعد الإدراج الناجح لأسهمنا في بورصة ناسداك دبي خلال شهر أبريل من العام الماضي، لاحظنا اهتماماً كبيراً بتداول هذه الأسهم وبلغت أحجام التداول مستويات جيدة وسط سعي المستثمرين من قطاعي المؤسسات والأفراد، للاستثمار في أصول عقارية تجارية تتميز بحسن إدارتها وجودتها العالية.

وبلغ حجم إجمالي العائدات من عملية الاكتتاب العام 201.25 مليون دولار، وتم استثمار هذا المبلغ بالكامل في صفقتي استحواذ ناچتین، على مركز التسوق المجتمعي "لو غراندي" و 16 طابقاً في برج "إنديكس تاور" بمنطقة مركز دبي المالي العالمي.

وفي شهر مايو من العام 2014، استحوذت "الإمارات ريت" على مركز التسوق المجتمعي "لو غراندي" الذي يقع ضمن

برج "ترايدنت جراند ريزيدنس" في "مرسى دبي" مقابل 118 مليون درهم. ويتضمن "لو غراندي" 22 متجر تجزئة، ومنازل للأطعمة والمشروبات توجد في الطابقين الأرضي والبوديوم، كما استحوذت ضمن هذه الصفقة على الطابق السفلي من المبنى والمخصص لمواقف السيارات، والذي يضم 161 موقفاً. وتقوم بإدارة المركز وفق برنامج إدارة فعال، وندرس أفضل الطرق التي يمكن من خلالها مواصلة تحقيق نمو في عائدات الإيجار من خلال تغيير مزيج المستأجرين وتعزيز الوعي بالمركز في المنطقة المحيطة.

وفي شهر يونيو الماضي، استحوذت "الإمارات ريت" على 15.64 طابق مكتبي و 706 مواقف سيارات في برج "إنديكس تاور" بمركز دبي المالي العالمي، كما استحوذنا على نصف طابق إضافي بحلول نهاية العام الماضي. وتتمتع الإمارات ريت حالياً بوضع استراتيجي جيد جداً، حيث تمتلك الوحدات المكتبية ومساحات التجزئة ومواقف السيارات في هذا البرج الذي يعد من أبرز معالم دبي. ويؤكد نجاح هذه الصفقة الفرص الهامة التي يوفرها السوق العقاري بدبي والتي تتيح الاستثمار في أصول عقارية ممتازة ذات إمكانات واعدة للنمو مقابل أسعار جذابة.

وبفضل موقعه الاستراتيجي الجذاب، والخيارات المرنة التي يوفرها للمستأجرين فيما يتعلق بتصميم مساحاتهم، يمكن أن يستقطب برج "إنديكس تاور" نخبة من المستأجرين التجاريين بعقود إيجار طويلة الأجل. وقد بدأنا بدراسة واستقصاء احتياجات العملاء لوحدة واحدة مجهزة بالكامل في طابقين مكتبيين بالإضافة إلى مساحات فارغة أكبر حجماً غير مكتملة البناء، تمهيداً ل طرحها في السوق، ونحن سعداء بمستويات الاهتمام القوية التي أظهرها المستأجرون المحتملون.

وبالنظر إلى المستقبل، لا زلنا متفائلين بجدوى الاستثمار في العقارات التجارية بدولة الإمارات العربية المتحدة.

وفي ختام هذه الرسالة لا يسعني إلا أن أتقدم إلى مساهمينا الكرام بجزيل الشكر على دعمهم المستمر لنا والثقة الكبيرة التي وضعوها بنا. ونحن على ثقة بأن "الإمارات ريت" تتمتع بوضع قوي يؤهلها لمواصلة أدائها المتميز خلال السنوات القادمة مدعومة بمحفطتها القوية من الأصول العقارية المدرة للدخل إلى جانب المكاسب الرأسمالية من الاستحواذ على برج "إنديكس تاور" وفرص الاستحواذ المحتملة التي تتطلع إلى الاستفادة منها في المستقبل.



## Dear Shareholders,

I am delighted to be able to report the first year-end financial statements since the listing of Emirates REIT on NASDAQ Dubai in April 2014.

The REIT has had a strong year both in financial and operational terms. At the year end, the portfolio, comprising 7 properties, was valued at USD 575.3 million (AED 2.1 billion) nearly twice that of the year earlier. Net profit for the year was up 39.3% to USD 48.56 million and net profit, excluding revaluation gains and IPO costs, was up 43.9% to USD 11.89 million. The REIT also expects to pay a final dividend to shareholders for 2014 in June this year.

In April the REIT listed on the NASDAQ Dubai and over the course of the year we have seen good volumes of shares traded and pleasing levels of interest from both institutional and private investors looking to gain access to high quality and well managed commercial property assets.

At the IPO we raised gross proceeds of USD 201.25 million all of which has been deployed with the acquisitions of Le Grande Community Mall and 16 floors at Index Tower in the DIFC.

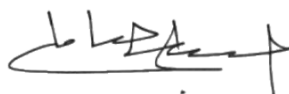
Le Grande Community Mall was acquired in May for AED 118 million and comprises 22 individual retail and food and beverage units on the ground and podium floors, as well as 161 basement car park spaces. We have an active property management programme in place and are looking for ways to continue driving rental growth through changes to the tenant mix and development of the brand in the local area.

In June we invested in 15.64 commercial floors and 706 car parking spaces in Index Tower; and towards the year end we acquired one further half floor. Emirates REIT is now in a very good strategic position, controlling the offices, the retail and the car park of this prime Dubai landmark. It demonstrates that there are great opportunities within the Dubai market to invest at attractive prices in prime buildings which offer significant growth.

The Index Tower has the potential to attract high profile long-term commercial tenants, offering both an iconic address and flexible space options. We have started to pre-market fully fitted out units on two commercial floors as well as larger shell and core space and are pleased with the strong levels of interest from prospective tenants.

Looking ahead we remain optimistic about commercial real estate investment in the UAE.

I would like to conclude by thanking shareholders for their continued support. We remain confident that our strong portfolio of income producing assets combined with capital appreciation from Index Tower and potential acquisition opportunities positions Emirates REIT extremely well in the years ahead.



Abdulla Al Hamli  
Chairman





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AT A GLANCE

## About Us

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 Emirates REIT Management (Private) Limited (the "REIT Manager").

Emirates REIT operates under the Dubai Financial Services Authority's ("DFSA") Collective Investment Rules ("CIR") and is the first Shari'a compliant real estate investment trust incorporated in the DIFC.

In February 2013, an exclusive Ruler's Decree was granted to Emirates REIT permitting it to purchase properties in on-shore Dubai through its onshore Dubai branch.

For the twelve months ended 31 December 2014, Emirates REIT had profit and total comprehensive income of USD 48.56 million, (2013: USD 34.85 million).

Emirates REIT's total assets were USD 594.15 million (AED 2.2 billion) as at 31 December 2014 an increase of 78.3% from USD 333.21 million (AED 1.2 billion) at the end of 2013. As at 31 December 2014, Emirates REIT's net asset value per share (as calculated by its REIT Administrator, Maples Fund Services (Middle East) Limited) had risen to USD 1.44 from USD 1.35 as at 31 December 2013.

Emirates REIT is managed by the REIT Manager, which was incorporated in the DIFC on 27 October 2010 and is regulated by the DFSA.

Until March 2015, the REIT Manager was a joint venture between Dubai Islamic Bank PJSC ("DIB") and Eiffel Management Limited ("Eiffel"). Eiffel owned 75% and DIB owned 25% of the REIT Manager's total issued share capital. From March 2015, the REIT Manager is fully owned by Eiffel.



## REIT Details as at 31 December 2014

REIT Name	Emirates REIT (CEIC) Limited
Date of Incorporation	28 November 2010
Share ISIN	AEDFXA1XE5D7
NASDAQ Dubai Ltd Trading Symbol	REIT
REIT Manager	Emirates REIT Management (Private) Limited
Portfolio size	USD 575.3 million (AED 2.1 million)
Gross Asset Value	USD 594.15 million (AED 2.2 million)
Investment Board	Marwan Bin Ghulaita – CEO of RERA (Real Estate Regulatory Agency) Abdulla Al Hashemi – Director and Board member of DEWA (Dubai Electricity and Water Authority), Director and Owner of Al Hashemi (Planning, architectural and engineering company) Captain David Ralph Savy – Chairman of the Seychelles Civil Aviation Authority
Oversight Board	Suresh Kumar – Chairman of the Values Group Abdul Wahab Al Halabi – Group Chief Investment Officer at Meraas Holdings Nasser Rafi – Chief Executive Officer of Emaar Malls Groups LLC
Advisory Board	Khalid Al Malik – Group Chief Executive Officer of Dubai Properties Group Kunal Bansal – Director and Partner at Vintage Bullion DMCC Michael Wunderbaldinger – Chief Financial Officer at TECOM Investments Faisal Mikou – Partner of Arabica Investments
Shari'a Supervisory Board	Dr Mohamed Abdul Hakim Zoair Mian Muhammad Nazir Moosa Tariq Khoory
Auditor	PricewaterhouseCoopers
Valuers	Asteco Property Management LLC CBRE DIFC Limited
Custodian	Shuaa Capital International Limited
Administrator	Maples Fund Services (Middle East) Limited
Fee Structure	Management Fee: 1.5% of REIT Gross Asset Value Performance Fee: 3% of increase in NAV per share Administration Fee: Sliding scale dependent on portfolio value (currently 0.05% of NAV) Custodian Fee: Fee dependant on number of documents held and with a minimum of USD 2,000 / month

## DIFC REIT Regulation highlights

- Minimum of 80% of the net income distributed
- Majority of the investments must be in real estate related assets
- Limit on borrowing (70% of NAV)
- Invest only in properties under development if it intends to hold the property
- Limited development activity (30% of portfolio)

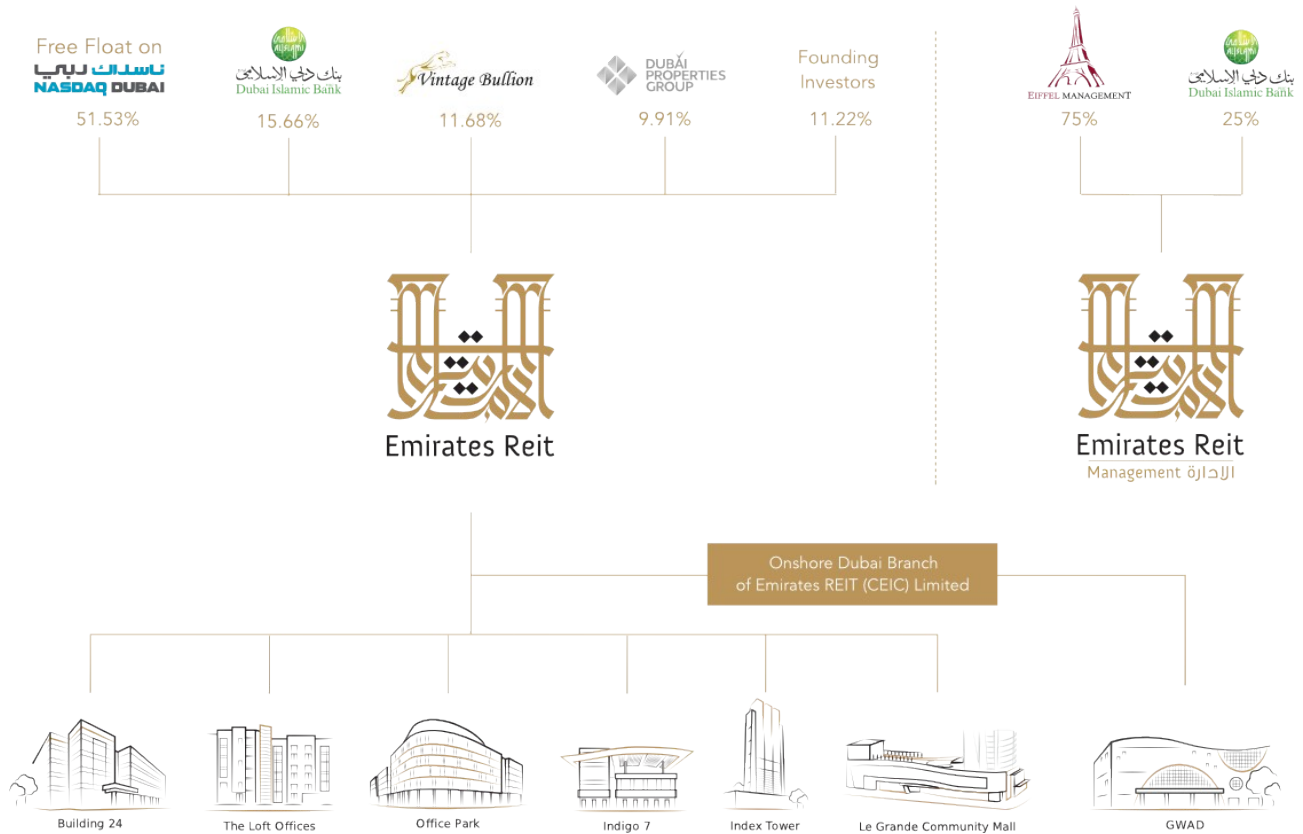
## Emirates REIT in brief

- The UAE first Shari'a compliant REIT established in the DIFC and regulated by the DFSA
- Focus on income-producing assets with attractive investment fundamentals
- Growing portfolio comprising interests in seven consolidated properties with c.1.645 million sq ft (152,825 m<sup>2</sup>) net leasable area diversified across different market segments
- 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 detail 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



# Legal & Ownership Structure

as at 31 December 2014



Emirates REIT (CEIC) Limited is established in the DIFC (Dubai International Financial Centre) and is regulated by the DFSA (Dubai Financial Service Authority)

The investors in the REIT are the shareholders of this company.

The REIT receives rental revenues from the assets, which are distributed to the shareholders through dividends.

Emirates REIT Management (Private) Limited is the REIT's Manager.

As at 31 December 2014, it is a joint venture between Eiffel Management and the Dubai Islamic Bank.

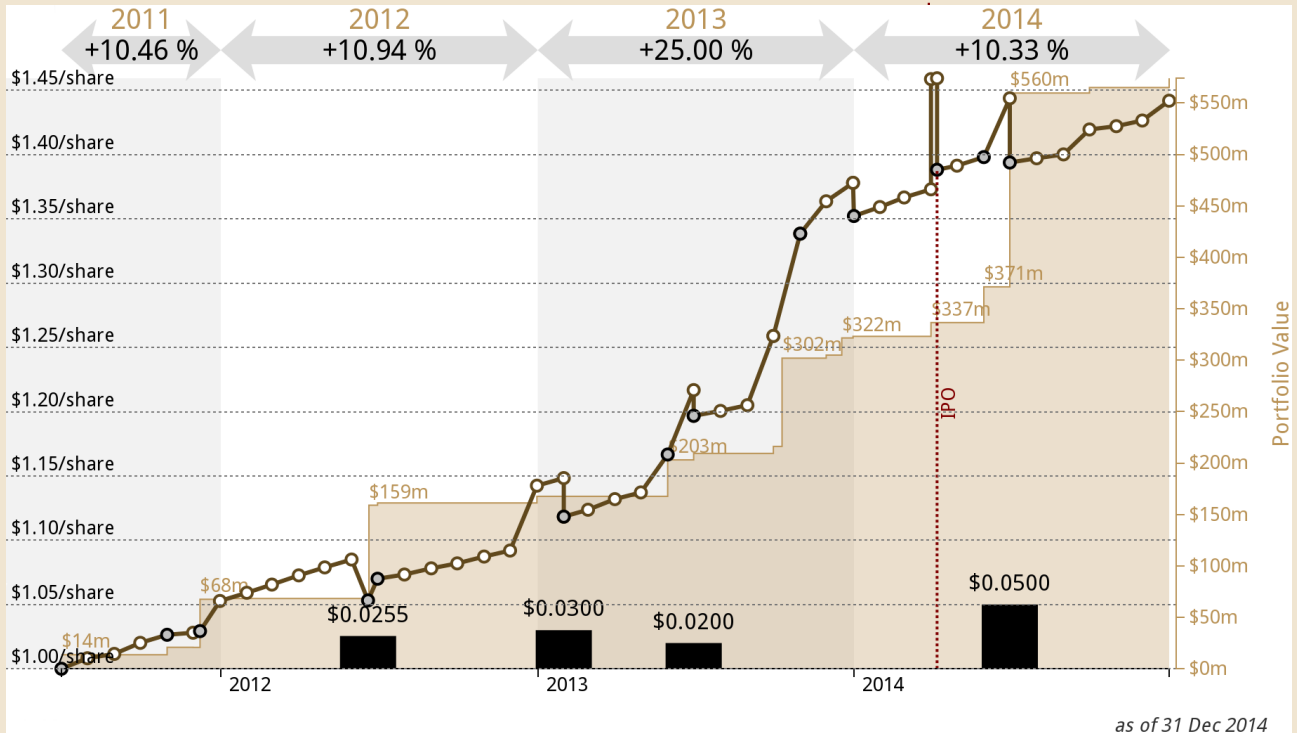
On 1 March 2015, Eiffel Management acquired Dubai Islamic Bank's 25% stake in the REIT Manager, and subsequently owns 100% of the REIT Manager's total issued share capital.



# PERFORMANCE



# Performance Chart



NAV per share is calculated by the REIT administrator. Growth rates are adjusted for dividends and annualized.

For 2011, 2012 and 2013, the NAV per Share was calculated in accordance with the REIT's Articles of Association, not IFRS. For 2014, the NAV has been calculated in accordance with IFRS.

The historical NAV per Share data presented in the figure above has been adjusted to reflect the sub-division of Shares by a factor of 100 on the 26 January 2014.

## Market Price Chart



Source : NASDAQ Dubai

## Market Price Performance

Year 2014 – First year of trading

Highest	USD 1.49
Lowest	USD 1.20
As at 31 December 2014	USD 1.30

## Number of shares and Net Asset Value

	31 Dec 2012	31 Dec 2013	31 Dec 2014
<b>Number of shares</b>			
Investor shares	1,262,925	1,516,426	299,620,541
Manager share	1	1	1
<b>Total of shares</b>	<b>1,262,926</b>	<b>1,516,427</b>	<b>299,620,542</b>
<b>Net Asset Value</b>			
Per Share – Ordinary shares	113.83	135.22	1.4419
Per Share – Adjusted Ordinary Shares <sup>(1)</sup>	1.1383	1.3522	1.4419
Per Share – Manager share	113.83	135.22	144.19
<b>Total Net Asset Value</b>	<b>USD 143,761,924</b>	<b>USD 205,058,188</b>	<b>USD 432,035,659</b>

<sup>(1)</sup> On 26 January 2014, the nominal value of the Shares was sub-divided and, as a result, the REIT's issued share capital changed from 1,516,426 Shares and one Manager Share with a nominal value of USD 100.00 per Share to 151,642,600 Shares with a nominal value of USD 1.00 per Share and one Manager Share which retained a nominal value of USD 100.00. The impact of the Share sub-division on the NAV per Share shown above is to divide by a factor of 100.

On the 8 April, 2014 128,676,471 shares were issued through an Initial Public Offering ("IPO").

A further 19,301,470 shares were issued on 11 May 2014 in relation to the exercise of the IPO over-allotment option. Shares issued in relation to the IPO and over-allotment option were priced at USD 1.36 per share.

## Dividend Distribution

	Per Unit	Date	Total Distributed
<b>2014</b>			
Interim <sup>1</sup>	USD 0.04	31 Jan 2015	USD 11,984,821
Final <sup>1</sup>	TBC	TBC (expected June 2015)	TBC
<b>Total</b>	<b>TBC</b>		<b>TBC</b>
<b>2013</b>			
Final	USD 0.05	30 Jun 2014	USD 14,981,027
<b>Total</b>	<b>USD 0.05</b>		<b>USD 14,981,027</b>
<b>2012<sup>2</sup></b>			
Interim	USD 3.00	31 Jan 2013	USD 3,788,886
Final	USD 2.00	30 Jun 2013	USD 2,550,364
<b>Total</b>	<b>USD 5.00</b>		<b>USD 6,339,250</b>
<b>2011<sup>2-3</sup></b>			
Final	USD 2.55	19 Jun 2012	USD 1,150,863
<b>Total</b>	<b>USD 2.55</b>		<b>USD 1,150,86</b>

<sup>1</sup> Distribution done post 2014 report

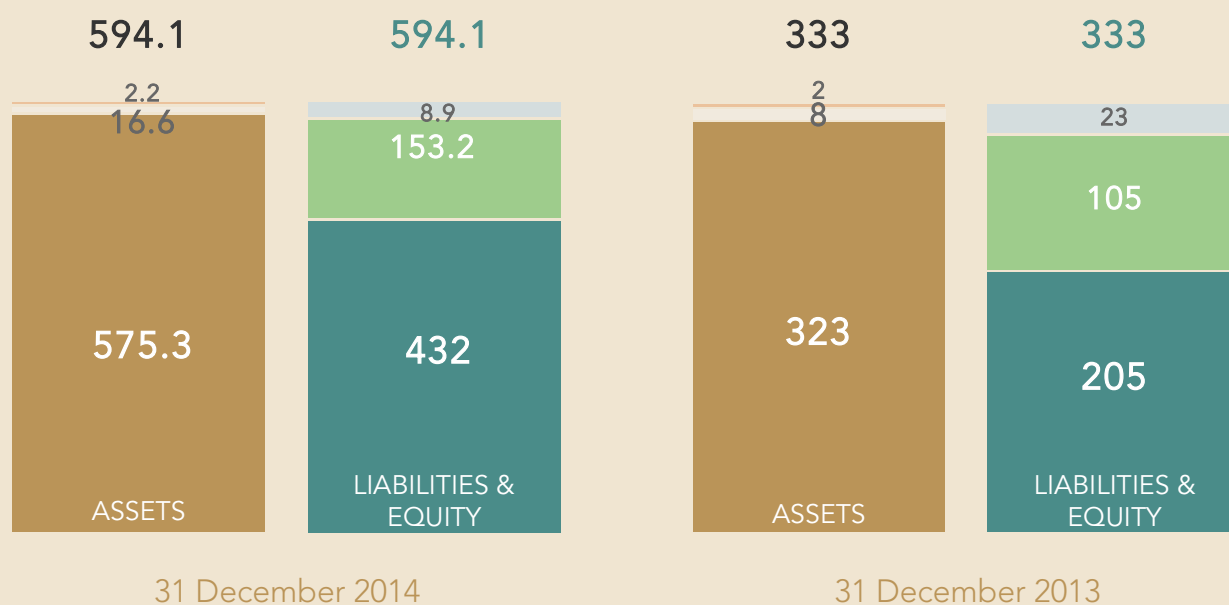
<sup>2</sup> The dividends distributed in 2011 and 2012 are reflecting the share price of USD 100.00, before the sub-division of shares by a factor of 100 on the 26 January 2014.

<sup>3</sup> 13 months period



# Balance Sheet

in USD million





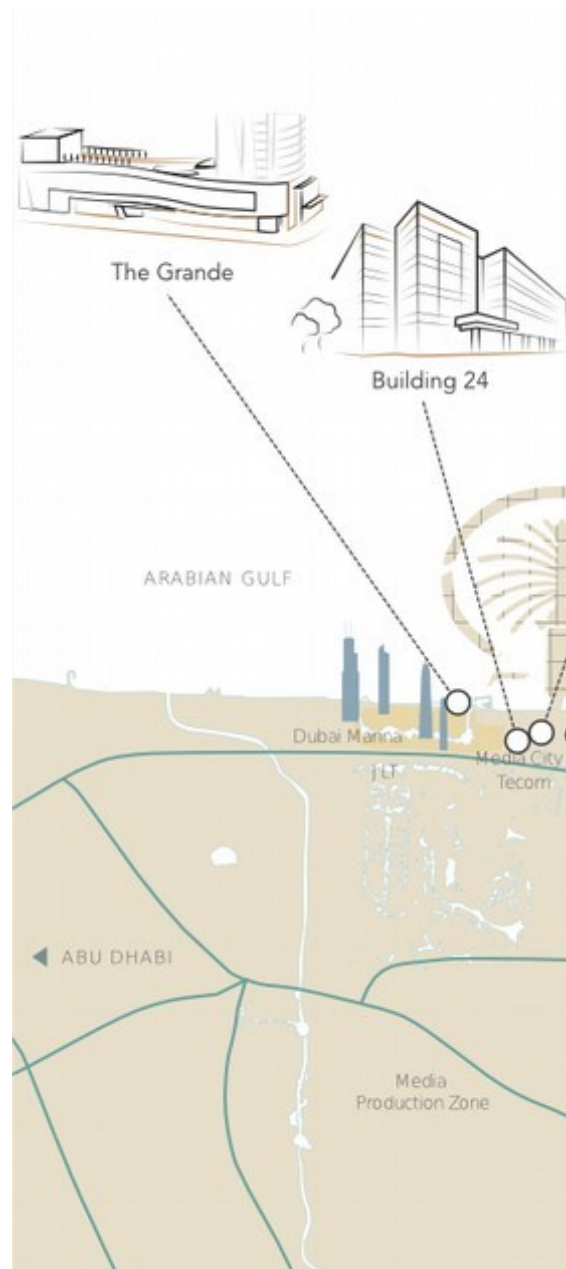
# PORTFOLIO IN DETAIL

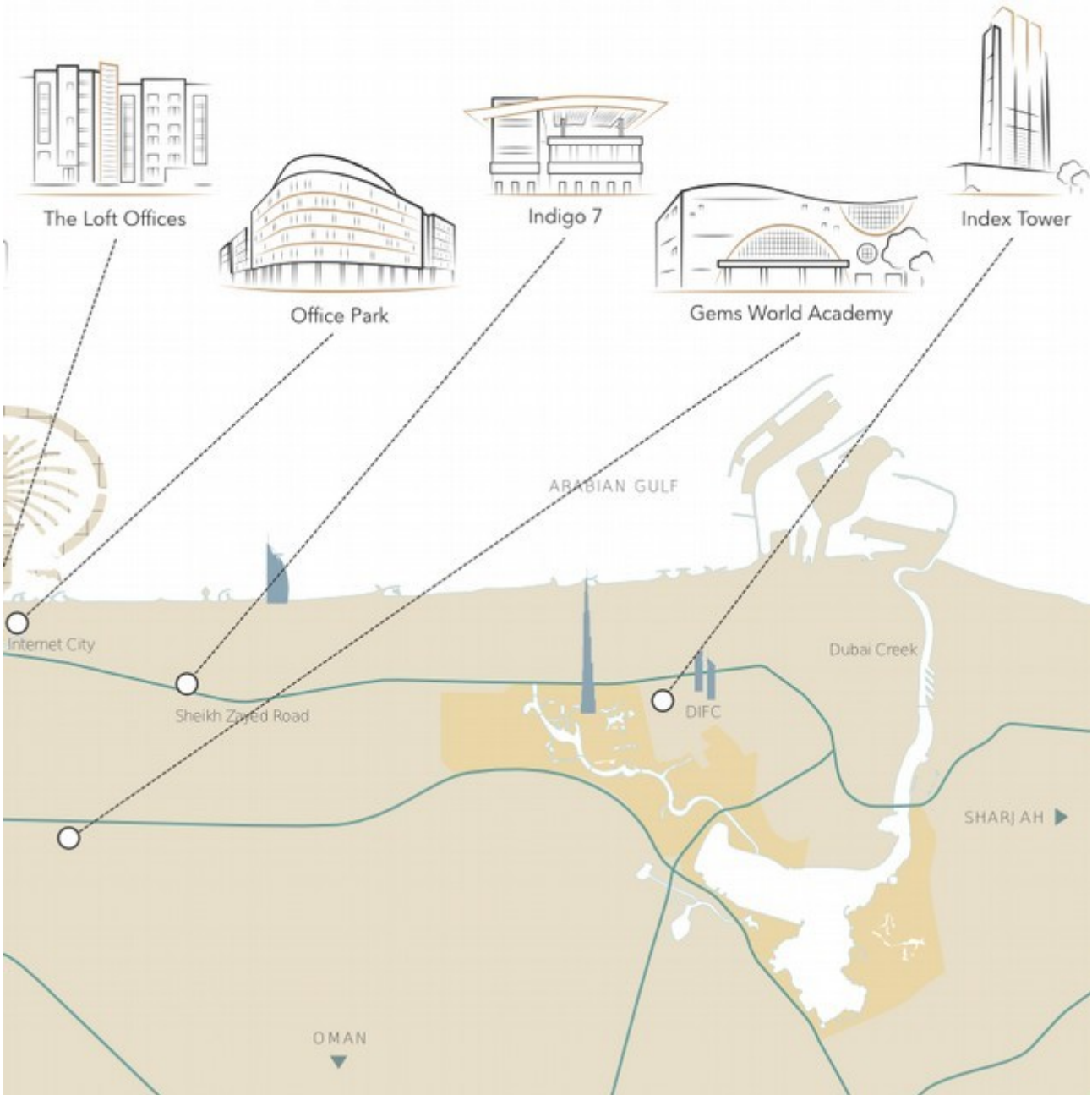
## Portfolio overview - 2014

During 2014, the REIT completed three acquisitions, namely Le Grande Community Mall in May, 15.64 office floors within Index Tower in June and a further 0.5 office floor within Index Tower in December.

As at 31 December 2014, the REIT's Portfolio consists of the following seven consolidated properties:

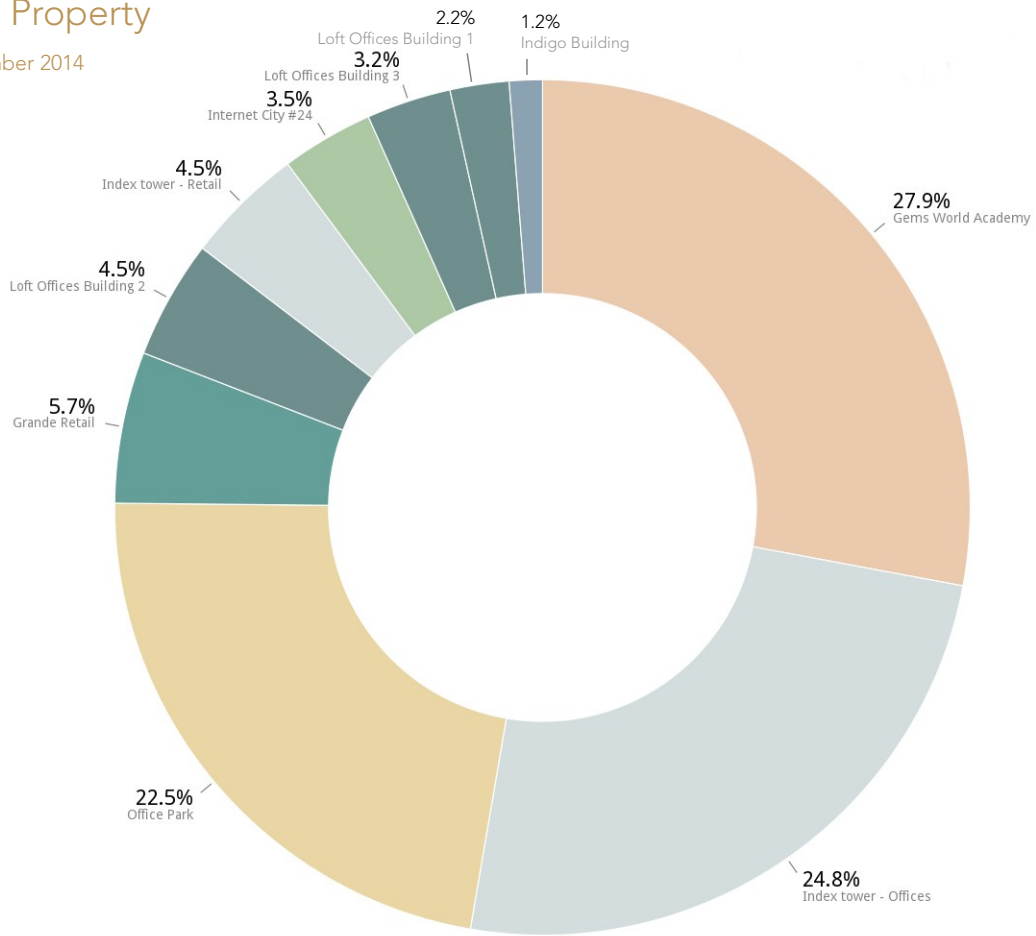
- Building 24;
- Indigo 7;
- The Loft Offices which includes:
  - Loft Offices 1
  - Loft Offices 2
  - Loft Offices 3;
- Office Park;
- GEMS World Academy Dubai (GWAD);
- Index Tower which includes:
  - Index Tower – Retail;
  - Index Tower – Offices
  - Index Tower – Car Park; and
- Le Grande Community Mall.





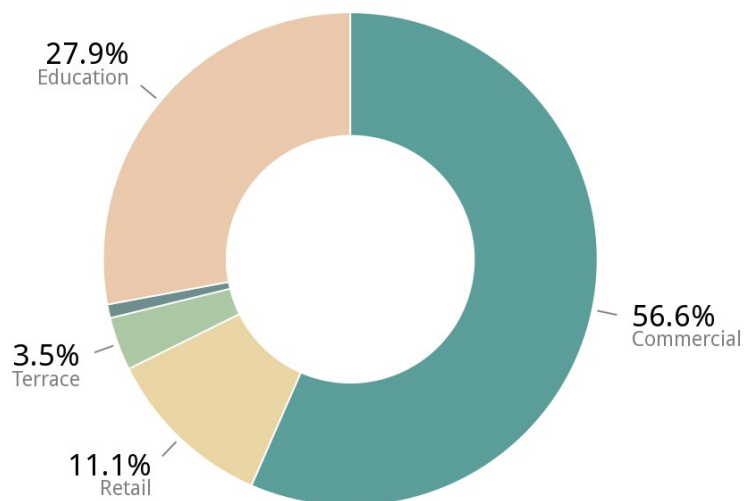
## Area per Property

as at 31 December 2014



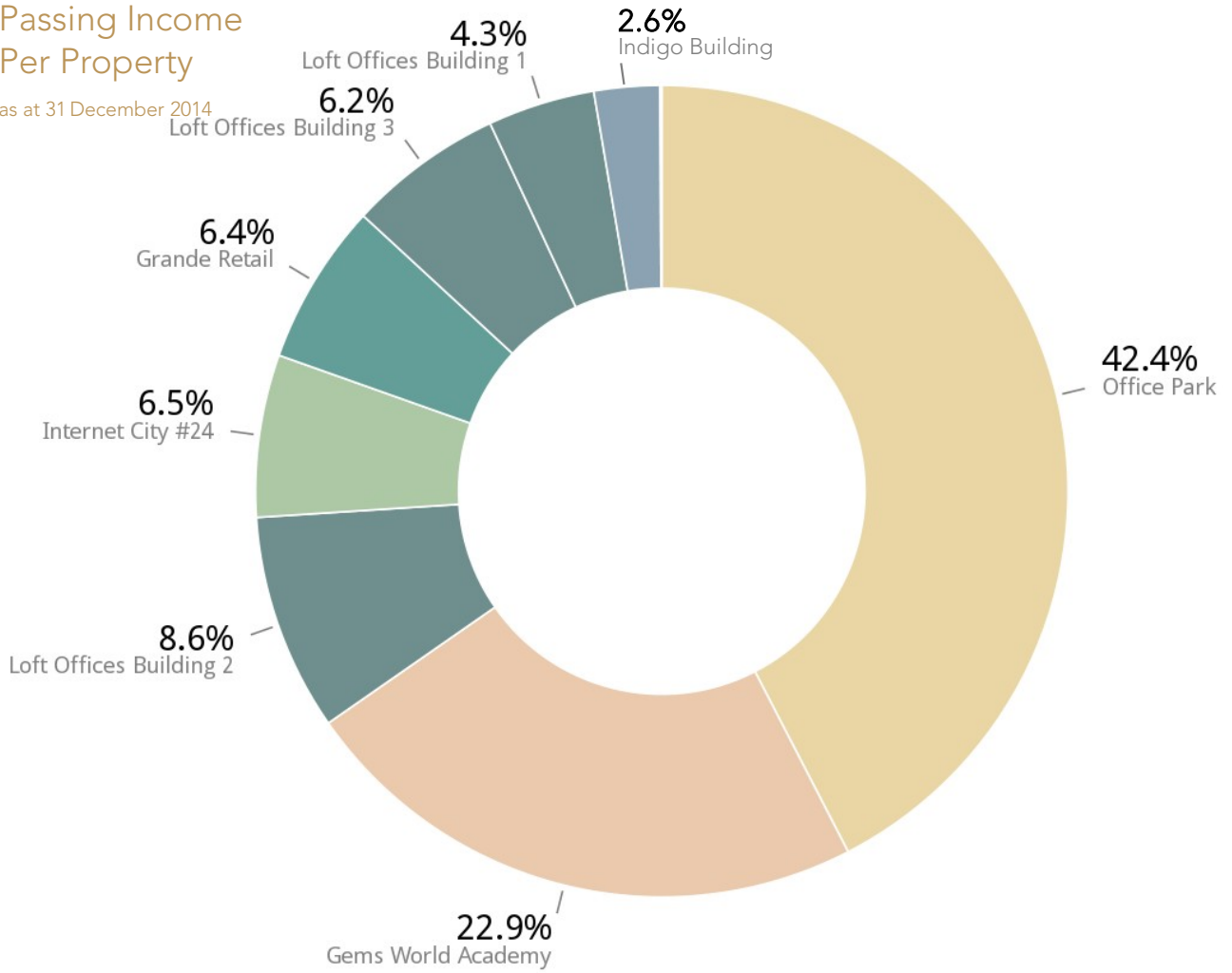
## Leasable Area per Unit Type

as at 31 December 2014



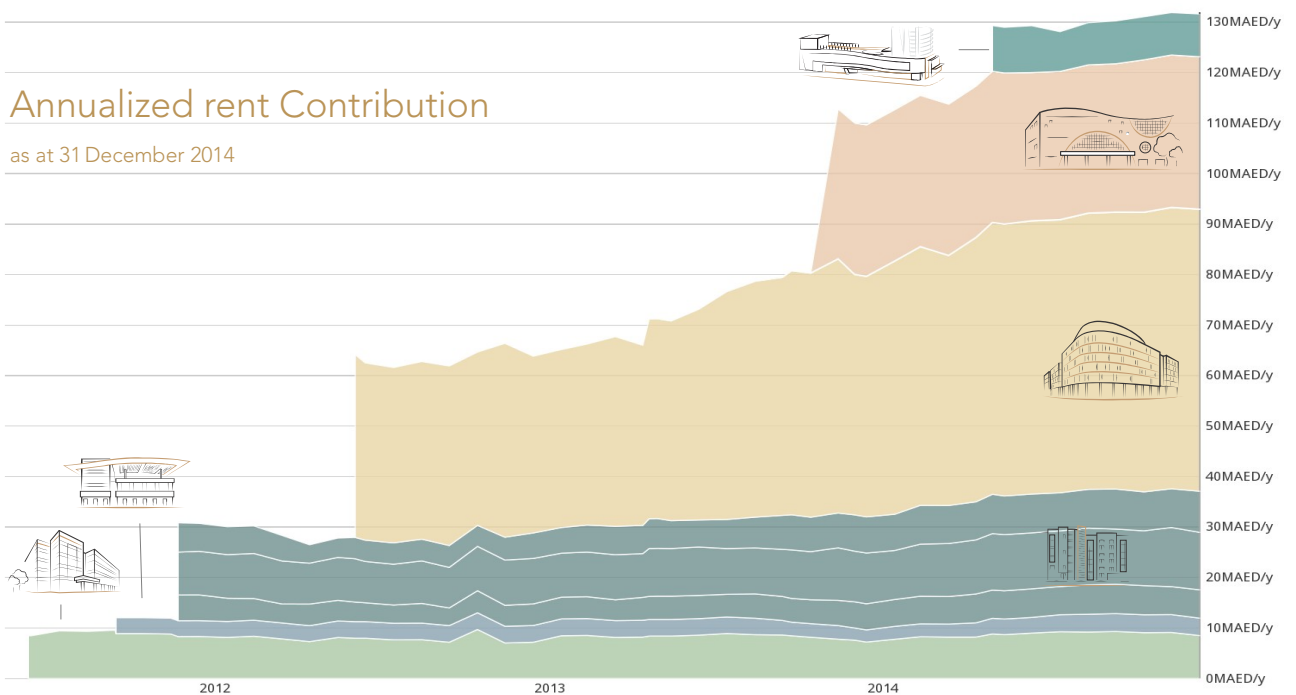
### Passing Income Per Property

as at 31 December 2014



### Annualized rent Contribution

as at 31 December 2014



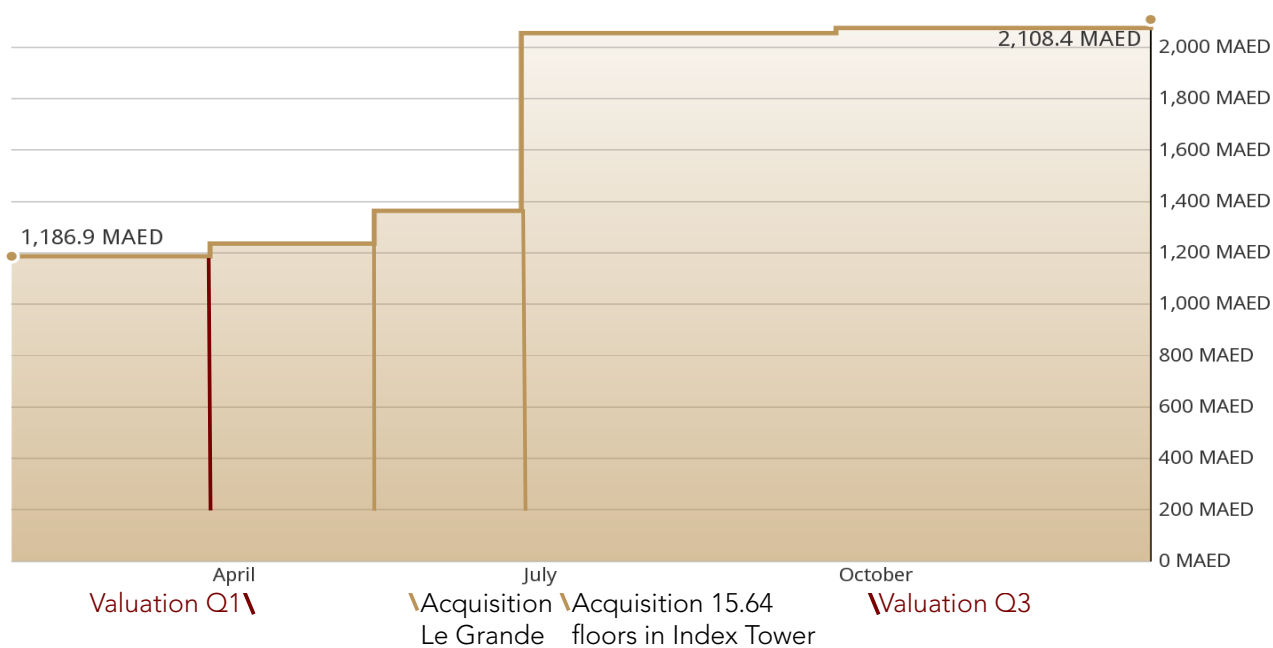
## Key Portfolio Statistics

	31 December 2014	31 December 2013
Number of Properties (consolidated)	7	6
Number of Properties (non consolidated)	11	10
Net Leasable Area	1.645 million sq ft	1.155 million sq ft
Net Leasable Area (in square meter)	152,847 m <sup>2</sup>	107,300 m <sup>2</sup>
Market Value	AED 2.108 billion	AED 1.187 billion
Portfolio Occupancy	66.6%* / 94.1%**	86.3%* / 94.0%**
Passing Income	AED 131.6 million	AED 108.5 million
Number of tenants	204	176
Weighted Average Lease Expiry	8.4	9.8

\* Including Index Tower / \*\* Excluding Index Tower

## Valuation Year 2014

The graph below represents the growth of the portfolio for the year 2014.





## Portfolio Tenant Concentration

The portfolio is increasingly diversified, in terms of the number of tenants, asset location, asset type and the sectors in which the tenants operate. The profile of the largest tenants within the portfolio has remained consistent, with only one change in the top 10 tenants in 2014 from 2013:

Tenant	Building	Sector	Lease Expiry	NLA		Percentage of Portfolio NLA	Percentage of Portfolio Gross Revenue
				sq ft	m <sup>2</sup>		
Tenant 1	GWAD	Education Provider	2043	459,614	42,700	27.94%	22.91%
Tenant 2	Office Park	Health Care Information Systems	2018	41,491	3,855	2.52%	6.89%
Tenant 3	Office Park	Telecommunications	2017	30,619	2,845	1.86%	3.90%
Tenant 4	Office Park	Beverage Manufacturer and Retailer	2017	35,125	3,263	2.13%	3.47%
Tenant 5	Office Park	Management Consultancy	2017	23,644	2,197	1.44%	3.25%
Tenant 6	Office Park	Chemical and Pharmaceutical	2015 2017 2019 <sup>1</sup>	29,000	2,694	1.76%	2.98%
Tenant 7	Indigo 7	Restaurants	2018	9,796	910	0.60%	1.76%
Tenant 8	Office Park	Medical Device Technology	2018	12,117	1,126	0.74%	1.46%
Tenant 9	Office Park	Information Provider	2018	10,736	997	0.65%	1.45%
Tenant 10	Office Park	Computer Security Software	2020	12,773	1,187	0.78%	1.42%
<b>10 Largest Tenants</b>				<b>664,915</b>	<b>61,773</b>	<b>40.42%</b>	<b>49.48%</b>
Other Tenants				430,487	39,994	26.16%	50.52%
Vacant Units				549,834	51,081	33.42%	N/A
<b>Total</b>				<b>1,645,236</b>	<b>152,847</b>	<b>100.00%</b>	

As at 31 December 2014

<sup>1</sup> There are 3 separate lease agreements with staggered expiry dates: 419 sq ft (38.93 m<sup>2</sup>) expires in 2016, 17,826 sq ft (1,656 m<sup>2</sup>) in 2017 and 10,755 (999 m<sup>2</sup>) in 2019.

## Office Park

Acquisition date 19 June 2012

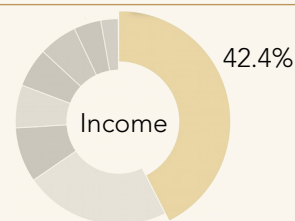
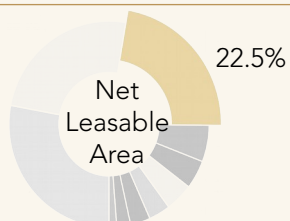
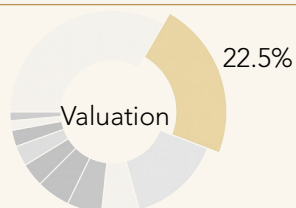
Ownership Title Freehold

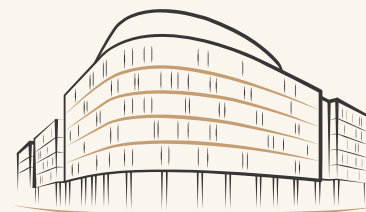
Located within Knowledge Village, a well-established commercial and education district in new Dubai. Commercial building catering to office and retail tenants including a supermarket and other F&B tenants. Property comprises an 'L' shaped plot of land on a site area of approximately 128,412 square feet (11,930 m<sup>2</sup>). The building was constructed in 2008 and is of reinforced concrete frame extending over two basement levels, ground, mezzanine, and seven upper floors.



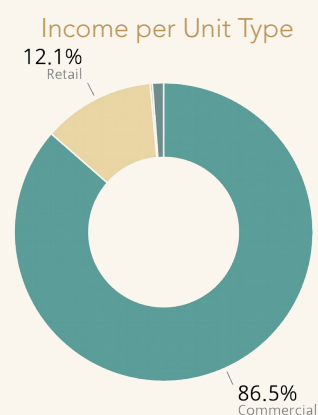
Shares of Total Portfolio as at 31 December 2014

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	31 December 2014	31 December 2013
Market Value	AED 473.6 million	AED 404.7 million
Net Leasable Area	369,537 sq ft (34,331 m <sup>2</sup> )	359,804 sq ft (34,331 m <sup>2</sup> )
No. of Tenants	51	43
Occupancy Rate	95.3%	89.8%
Passing Income	AED 55.8 million	AED 47.6 million
WA Lease Expiry	2.8 years	3.1 years



## Overview of 2014

Office Park has continued to improve during 2014.

Works have been undertaken to re-landscape the outdoor terraced areas in front of the ground floor retail units in Block A and B, resulting in an increase in the net leasable area of the property.

During 2014, a number of retail units completed their fit-outs and have opened for business, increasing the retail offering for the commercial tenants of Office Park and the neighbouring buildings.

Occupancy has increased by over 5%, driven by both new tenants to the building and existing tenants expanding their space requirements. Passing income has increased by 17% year on year, driven by increased occupancy levels, introduction of service charges at lease renewals, increases to the rent matrix, as well as having pre-agreed escalation clauses within the leases.

Increased occupancy levels combined with higher passing income has led to the increase in property valuation.

In H2 2014, the Facility Management of Office Park has been transferred to Transguard. Their contract covers a wider scope of work than the previous Facilities Management company, to reflect increased occupancy levels within the building and higher service standards. New security and specialist landscaping companies were also appointed during 2014.

Service charges for tenants in 2015 have been set higher than 2014, to reflect the additional operational expenses, within Office Park, including the new Facilities Management contract. Preparation and planning works are in progress in relation to a number of planned improvements in the property during 2015.

## GEMS World Academy Dubai

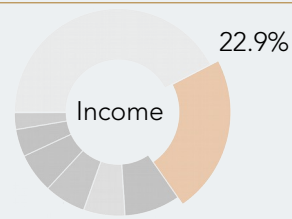
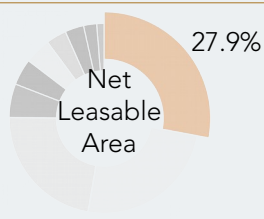
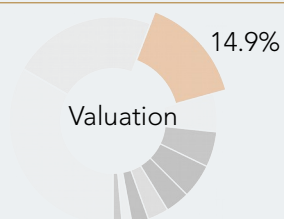
Acquisition date 10 October 2013

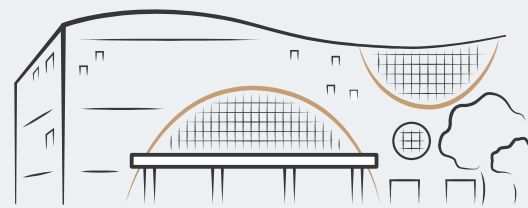
Ownership Title Leasehold

GEMS World Academy Dubai is located within Al Barsha South in Dubai, a developing residential district of new Dubai situated between Jumeirah Village and Dubiotech. The property is a low-rise education complex situated on a plot of land with an approximate area of 459,614 square feet (42,700 m<sup>2</sup>). The building was constructed in the past five years and is of reinforced concrete frame construction and extends over ground and three upper floor levels. 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.



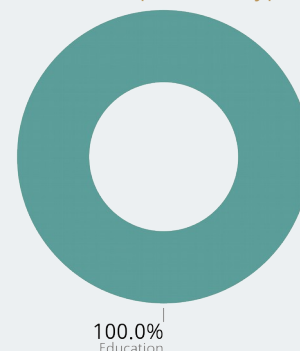
Shares of Total Portfolio as at 31 December 2014





	31 December 2014	31 December 2013
Market Value	AED 313.7 million	AED 311.2 million
Net Leasable Area	459,614 sq ft (42,700 m <sup>2</sup> )	459,614 sq ft (42,700 m <sup>2</sup> )
No. of Tenants	1	1
Occupancy Rate	100%	100%
Passing Income	AED 30.2 million	AED 29.0 million
WA Lease Expiry	28.8 years	29.8 years

Income per Unit Type



## Overview of 2014

Gems World Academy continues to run smoothly with the tenant paying their rent and service charges in a timely manner.

During 2014, the outstanding land rent review was settled with the Knowledge Fund Establishment.

The land rent has been increased from AED 3.7 million to AED 4.6 million per year.

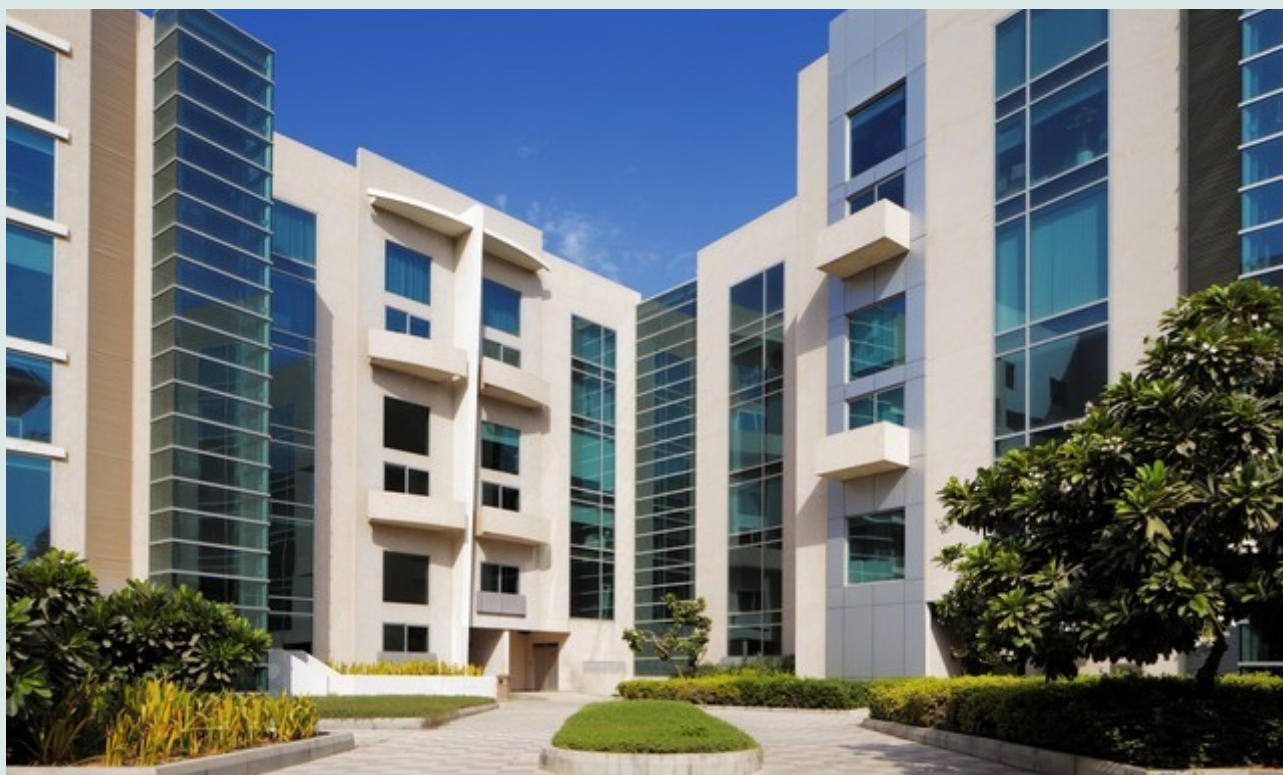
In accordance with the terms of the lease to Premier Schools, the cost of this increase is covered by Premier Schools.

## The Loft Offices

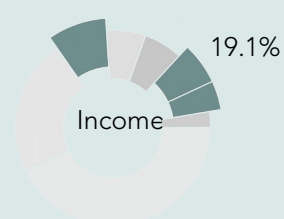
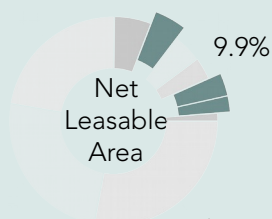
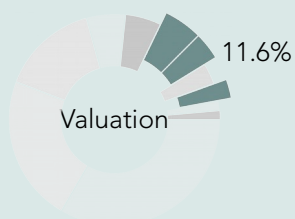
Acquisition date 8 December 2011

Ownership Title Freehold

A cluster of three low-rise commercial buildings in Dubai Media City featuring a central courtyard and retail space in the Lofts 2 building. The buildings are multi-let with various types of commercial and retail tenants. The buildings are of reinforced concrete extending over one basement level, ground and five upper floors. The Loft Offices cover a total land plot area of 82,795 square feet (7,692 m<sup>2</sup>).

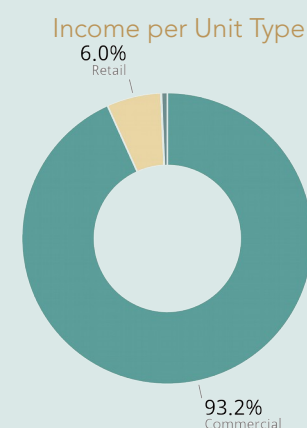


Shares of Total Portfolio as at 31 December 2014





	31 December 2014	31 December 2013
Market Value	AED 245.7 million	AED 201.1 million
Net Leasable Area	163,065 sq ft (15,149 m <sup>2</sup> )	163,065 sq ft (15,149 m <sup>2</sup> )
No. of Tenants	110	108
Occupancy Rate	96.97%	93.09%
Passing Income	AED 25.2 million	AED 22.4 million
WA Lease Expiry	1.2 years	1.3 years



## Overview of 2014

Throughout 2014, the Loft Offices have continued to perform well in terms of both high levels of occupancy and improving income figures.

Tenant retention has remained steady and in instances where a tenant has vacated a unit, the level of demand and leasing activity has been strong. For the most part, vacating tenants provide opportunities to increase the rental rates for the units upon re-letting. Rental performance continues to outperform other competing properties within the Dubai Media City area.

During 2014, there have been changes to the security service provider and landscaping companies. The selected companies were appointed based on their superior level of service whilst still retaining competitive pricing.

High occupancy and maximisation of rent remain the primary objectives for 2015. However, the mid to long term strategy is to improve the asset through re-branding, re-configuration and redevelopment. The strategy aim is to create an improved environment for the tenants, driving the levels of occupational demand and rent. Preliminary steps for many of these projects have been undertaken during 2014.

A number of upgrades are also planned to the buildings plant and machinery, including the replacement of 5 chillers which are reaching the end of their economical life. Installation is scheduled to take place in Q2 2015, and once operational, the new chillers should lead to a reduction in ongoing expenses.

## Building 24

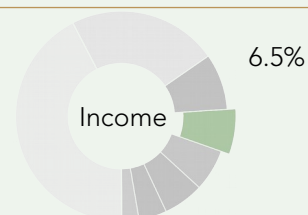
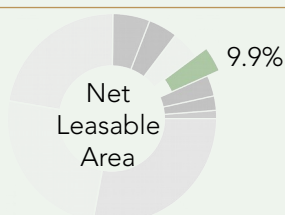
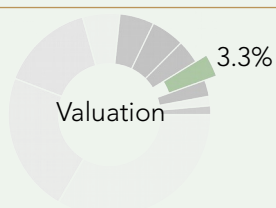
Acquisition date 27 June 2011

Ownership Title Freehold  
5.4%  
8.8%

Low-rise building located in a prime area of Dubai Internet City – a well-established commercial district of new Dubai. The property covers a land area of 41,036 square feet (3,812 m<sup>2</sup>) and was constructed in 2005. The building is of reinforced concrete frame and extends over basement, ground, and three upper floor levels featuring retail and office space.



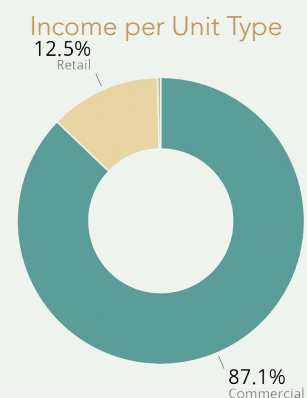
Shares of Total Portfolio as at 31 December 2014







	31 December 2014	31 December 2013
Market Value	AED 68.8 million	AED 56.7 million
Net Leasable Area	57,335 sq ft (5,327 m <sup>2</sup> )	57,335 sq ft (5,327 m <sup>2</sup> )
No. of Tenants	25	23
Occupancy Rate	96.1%	89.5%
Passing Income	AED 8.5 million	AED 7.2 million
WA Lease Expiry	1.6 years	1.8 years



## Overview of 2014

Occupancy levels have increased in Building 24 from 89.5% as at 31 December 2013 to 96.1% as at 31 December 2014. This reflects the continued strong demand from tenants to be located in the prime areas of the Tecom free zones.

In June, Tecom Investments notified Emirates REIT of new increased rent rates and service charge rates across Dubai Internet City, Dubai Media City and Dubai Knowledge Village. These new rates, are charged to Tecom tenants and buildings such as Building 24 which is managed under a Tecom Property Management and Leasing Agreement (PMLA). The rates apply with immediate effect. The previous Tecom rent rate for Building 24 ranged between AED 108 to 135 per sq ft (AED 1,162 to 1,453 per m<sup>2</sup>), and service charges were fixed at AED 25 per sq ft (AED 269 per m<sup>2</sup>). These rates had been in place since 2011.

The rent rates for new leases at Building 24 are now set at AED 155 per sq ft (AED 1,668 per m<sup>2</sup>) (+15% to +43% increase), and the rates for renewal leases ranges between AED 121 to 142 per sq ft (AED 1,302 to 1,528 per m<sup>2</sup>). The new service charge rate has been set at AED 30 per sq ft (AED 323 per m<sup>2</sup>) (+20% increase).

These uplifts in rental rates have resulted in an increase in the property valuation of approximately 23%, in line with the increase in rents.

At the end of 2014, the Facility Management and Security contracts were re-tendered. The decision was made to appoint Transguard, in place of the previous company who had maintained the building since it was acquired in 2011.

## Le Grande Community Mall

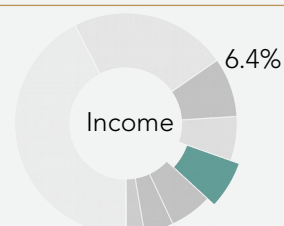
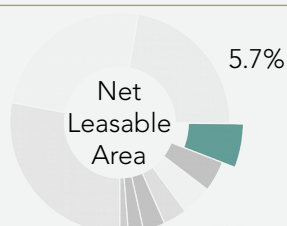
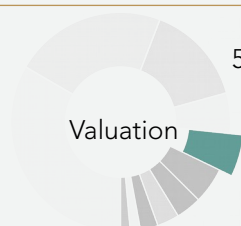
Acquisition date 18 May 2014

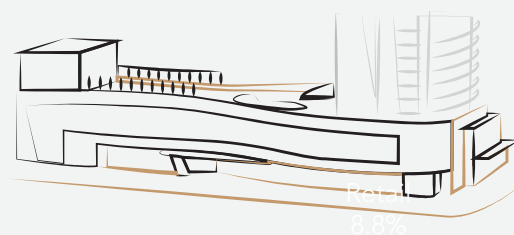
Ownership Title Freehold

Le Grande Community Mall, is the retail component of Trident Grand Residence in Dubai Marina, a mixed-use residential and retail building in an established residential and commercial district of new Dubai. The property itself comprises the ground and first floor level retail accommodation of the Trident Grand Residence Tower, which extends to a total of 22 individual retail units with additional customer seating areas and basement car parking (161 spaces).

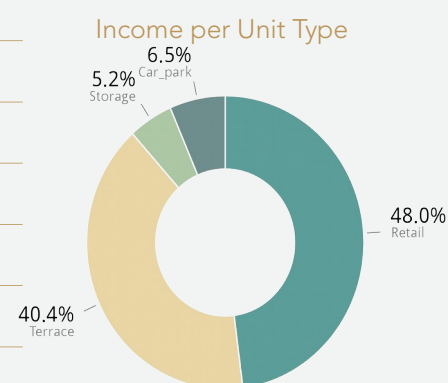


Shares of Total Portfolio as at 31 December 2014





	31 December 2014	31 December 2013
Market Value	AED 115.9 million	N/A
Net Leasable Area	94,139 sq ft* (8,746 m <sup>2</sup> )	N/A
No. of Tenants	14	N/A
Occupancy Rate	55.2%	N/A
Passing Income	AED 8.5 million	N/A
WA Lease Expiry	3.5 years	N/A



\* includes storage and external terrace areas.

## Overview of 2014

Le Grande Community Mall ("Le Grande") was acquired in May 2014. The REIT acquired all 22 retail units which form part of the mall. As all the units fall under the same ownership control they can be re-configured or merged as per the requirements of the tenants and leased as such.

The REIT is working with the Dubai Land Department and the building's Owners Association to achieve a volumetric division of the retail from the residential component, to allow the retail to operate independently.

An active asset management programme is being undertaken including agreeing lease terminations with non-performing tenants. Service Provider

contracts have also been re-tendered with new Facility Management and Property Management companies appointed. They are focused both on tackling outstanding issues relating to snagging works for the building and tenant fit-out coordination, as well as improving the operations of the property going forward. The Property Management contract is held by GS Real Estate and the Facility Management contract by Emrill.

A car parking operator has been appointed with the car park now running as a paid car park and generating additional income. An architect has also been appointed to assess the viability of being able to extend the leasable area of the retail.

## Indigo 7

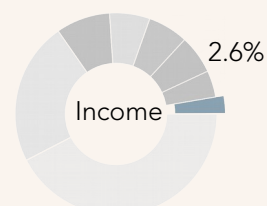
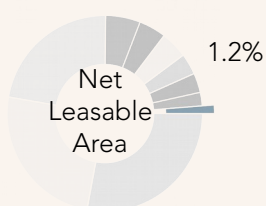
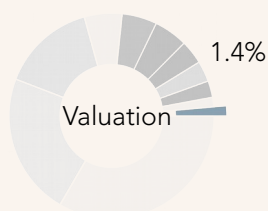
Acquisition date 25 September 2011

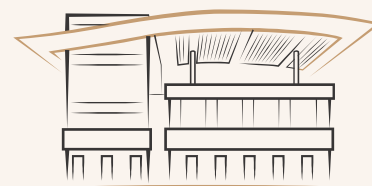
Ownership Title Contractual  
Interest similar to tenancy rights

Indigo 7 is located along the northern side of Sheikh Zayed Road within the Al Manara district of Dubai, a primarily residential district. The building is a low-rise development constructed in 2009 featuring retail and office components. The building is situated on a land plot that comprises approximately 15,000 square feet (1394 m<sup>2</sup>). Indigo 7 is currently anchored by one tenant operating two restaurants, Reem Al Bawadi and Crumbs.



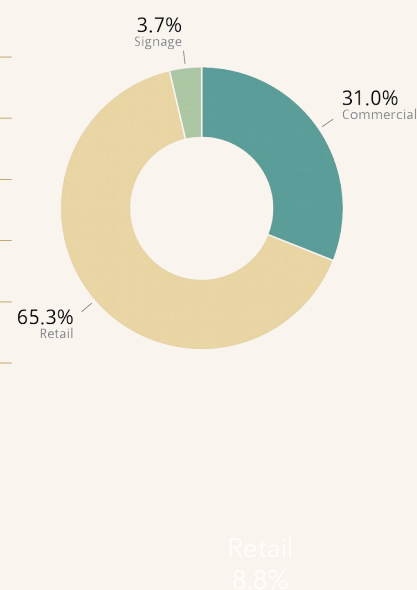
Shares of Total Portfolio as at 31 December 2014





	31 December 2014	31 December 2013
Market Value	AED 29.5 million	AED 23.9 million
Net Leasable Area	20,477 sq ft (1,902 m <sup>2</sup> )	20,477 sq ft (1,902 m <sup>2</sup> )
No. of Tenants	5	2
Occupancy Rate	90.4%	55.0%
Passing Income	AED 3.4 million	AED 2.3 million
WA Lease Expiry	3.3 years	4.1 years

Income per Unit Type



## Overview of 2014

During 2014, the focus for Indigo 7 was to improve occupancy levels. Two new tenants have signed leases for the buildings, as well as renewals being agreed with two existing tenants. Occupancy levels now stand at 90.4% as at 31 December 2014 compared to 55.0% at 31 December 2013.

These increased occupancy levels have driven up passing income by approximately 48%, which in turn has led to an increase in the market valuation. The new leases signed all include service charge components that will be reviewed on an

annual basis. Extra income has also been generated through the leasing of the signage on the building façade which benefits from a prime frontage on Sheikh Zayed Road.

At the end of 2014, terms were agreed with the existing Facilities Management company to expand the scope of works and to ensure that the building is well maintained going forward. The additional costs for the expanded scope of works are covered by the 2015 service charge.

## Index Tower

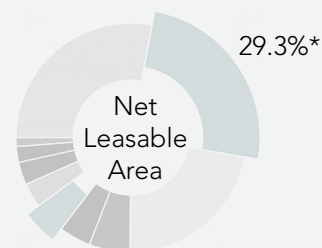
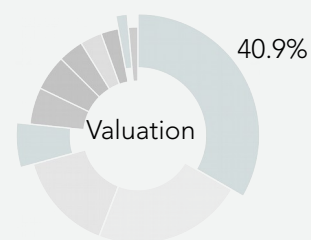
**Acquisition date** May 13, Dec 13, Jun 14 and Dec 14      **Ownership Title** Freehold\*

Index Tower is a mixed-use property located in the DIFC, a well-established commercial and retail district in Dubai. Index Tower was newly completed in 2010 and covers a land area of approximately 215,319 square feet (20,004 m<sup>2</sup>). The REIT owns 17 out of the 25 office floors, 1,426 car parking spaces and the whole retail component of Index Tower.



**Shares of Total Portfolio**  
as at 31 December 2014

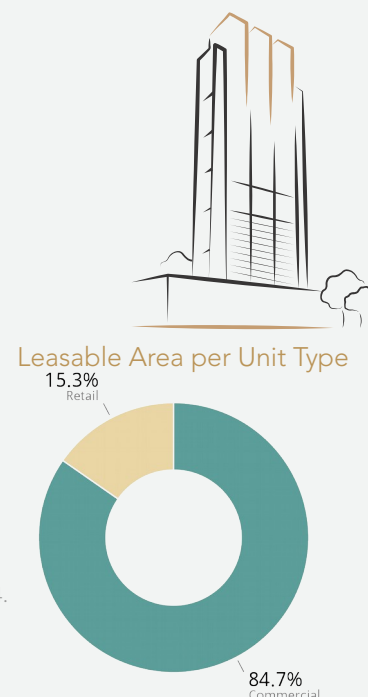
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\* does not include car parks

	31 December 2014*	31 December 2013
Market Value	AED 861.2 million	AED 189.3 million
Net Leasable Area	481,069 sq ft (44,693 m <sup>2</sup> )	94,402 sq ft (8,770 m <sup>2</sup> )
No. of Tenants	N/A	N/A
Occupancy Rate	0%	0%
Passing Income	N/A	N/A
WA Lease Expiry	N/A	N/A

\* Increases in Market Value and Net Leasable Area reflect the additional acquisitions during 2014.



## Overview of 2014

During 2014 the REIT has undertaken two further acquisitions within Index Tower: (i) 15.64 office floors acquired from Emirates NBD Properties in June 2014; and (ii) 0.5 office floors acquired from EFG Hermes in December 2014. These acquisitions are in line with the REIT's strategy to increase its ownership within Index Tower, its flagship asset.

The REIT now owns the entire retail area, 407,419 sq ft (37,850 m<sup>2</sup>) of office space (which is two thirds of all the office floors), and 1,426 car parking spaces. During the second half of 2014 all pending issues in relation to the sales and purchase contracts were concluded and title deeds have now been issued for all units within Index Tower.

In September the REIT announced the appointment of Foster + Partners as the architects in relation to the reconfiguration and refurbishment of the retail space. The concept design is now under way.

The REIT has also appointed Foster + Partners and Cambridge Middle East Interiors to undertake the fit-out of a number of the office floors in order to maximize its revenue. Construction has commenced on the first two floors in January 2015 with completion expected in Q2 2015. The two floors will offer fully fitted and furnished office spaces ranging from 538 to 1,500 sq ft (50 m<sup>2</sup> to 150 m<sup>2</sup>). They will shortly be released to the market for pre-leasing.

JLL and CBRE have been appointed as joint leasing agents for both the office and retail space owned by the REIT in Index Tower. CBRE has also been appointed as Property Manager. Viewings have commenced for the shell & core space with a number of active enquiries. The car parking spaces are generating a negligible income at the moment. This is expected to increase as the office space is leased and adjacent vacant plots are zoned off to prevent illegal parking activities.

33.2





# REPORT OF THE REIT MANAGER



# Annual Regulatory Report of the REIT Manager

for the period ending 31 December 2014

Emirates REIT Management (Private) Limited (the "REIT Manager") is pleased to report another successful year of operations for Emirates REIT (CEIC) Limited (the "REIT").

## Investment Objectives of the REIT

The investment objective of the REIT is to develop a diversified portfolio of Shari'a compliant real estate properties and related assets through the acquisition of property assets.

The principal objective of the REIT is to provide shareholders with:

- (a) a stable source of income
- (b) increasing the shareholder value

## Policy for Achieving Objectives

The REIT has implemented a range of policies for achieving its investment objectives. The REIT employs a disciplined acquisition strategy. The

REIT will pursue Shari'a compliant acquisitions with the aim improving the overall returns and income stability of the REIT.

In accordance with the REIT's Articles of Association and the current CIR, the requirements placed on the REIT with regards to investments include:

### Type of Investment

The type of investments which can be undertaken by the REIT, which 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. Such 40% limit may be exceeded when the REIT receives cash as a result of a disposal of assets or where the REIT receives cash as a result of a subscription for new shares or pursuant to any financing, re-financing or other similar arrangements whatsoever where the intention is to invest/re-invest such cash within six months of receipt or such longer period as is approved by a Shareholder special resolution.

### Potential Investments

After the REIT has assessed and approved a potential investment opportunity, it must prior to actual purchase, first be reviewed by the Investment Board (and the Oversight Board for related party transactions), and then reviewed by the Shari'a Supervisory Board to make sure that the investment is in accordance with Shari'a laws.

The REIT to date, has not invested in any joint ventures and there are currently no proposals to do so but there is no policy against investing in a suitable joint venture within the limits set by the regulations which govern the REIT.

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

### Disciplined acquisition strategy underpinned by an attractive real estate market in the UAE.

The REIT Manager will continue to pursue acquisitions with the aim of improving the overall returns and income stability of the REIT.

The REIT's acquisition strategy is underpinned by the following key considerations:

- invest in Shari'a compliant property assets;
- focus on quality properties with attractive yields.

### Active Asset Management Strategy.

The REIT Manager actively manages the REIT's Portfolio (the "Properties") in order to increase income and market valuations with the aim of further improving property yields and delivering strong returns to the Shareholders. The REIT Manager works closely with its property managers with the aim of ensuring the optimisation of its Portfolio in terms of occupancies and achievable rental income. The REIT Manager applies the following key operating and management principles:

- maintaining the quality of the Portfolio by regularly monitoring the performance of the Properties; optimising the Net Leasable Area of the Properties through reconfigurations;
- establishing close relationships with tenants to increase tenant satisfaction and retention;
- increasing rental rates and property yields through a considered approach to contract terms;
- enhancing the operating efficiency of the Portfolio; and raising the profile of the Portfolio.

## Prudent Capital and Risk Management Strategy.

To maintain a strong financial position, the REIT Manager 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 key pillars for the Capital and Risk Management Strategy that the REIT Manager applies 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 in an attempt to provide additional capital and improve Shareholder returns over the long-term where such Shari'a debt financing is appropriate. However, the REIT Manager is obliged to ensure that the REIT's gearing will not exceed the limit imposed by the current CIR, which is 70% of the net 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 Activities during 2014

In the 12 month period ended 31 December 2014, the REIT completed three separate acquisitions of investment properties, deploying the full proceeds of the cash raised through the initial public offering (“IPO”) in April 2014.

The three transactions were

- (i) Le Grande Community Mall in May;
- (ii) 15.64 office floors within Index Tower in June ;  
and
- (iii) a further 0.5 office floor within Index Tower in  
December

The total cost of those transactions was of USD 213.42 million.

The Index Tower acquisitions are in line with the REIT's strategy to increase its ownership within its flagship asset. Within Index Tower, the REIT now owns (i) the entire retail area; (ii) 407,419 sq ft (37,850 m<sup>2</sup>) of office space (which is two thirds of all the Index Tower office floors); and (iii) 1,426 car parking spaces.

During the second half of 2014 all pending issues in relation to the sales and purchase contracts for Index Tower entered into in 2013 were concluded. Title deeds have now been issued for all units within Index Tower.

## Operational and Financial Review

The key financial highlights for the REIT for the year ended 31 December 2014 can be found in the Operating and Financial Review Section of this Annual Report.

## New Shares Issued

On 26 January 2014, the Shareholders of Emirates REIT approved the sub-division of each issued and unissued Investor Share of a nominal value of USD 100 each, into 100 Investor Shares with a nominal value of USD 1 each. Investor Shares were renamed Ordinary Shares. The total number of Ordinary shares in issue following the share split was 151,642,600.

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 USD 100; and
- (ii) 10,000,000,000 Investor Shares with a nominal par value of USD 1 per share.

On 8 April 2014, the REIT issued 128,676,471 Ordinary Shares through an IPO on NASDAQ Dubai. A further 19,301,470 shares were issued on 11 May 2014 in relation with the exercise of the IPO over- allotment option, bringing the total number of ordinary shares issued at the IPO to 147,977,941 shares.

The IPO was priced at USD 1.36 per share and the over-allotment shares were issued at the same price. Gross proceeds amounted to USD 201,250,000.

As at 31 December 2014, the total number of issued Ordinary Shares is 299,620,541.



## Corporate Governance Framework

The REIT's corporate governance framework includes the following committees and boards in addition to the Management Board:

- (i) an Oversight Board to oversee the activities of the REIT Manager;
- (ii) an Investment Board comprising qualified experts to review and confirm it has no objection to prospective investment opportunities proposed by the REIT Manager;
- (iii), a Shari'a Supervisory Board whose purpose is to ensure compliance by the REIT with Shari'a principles; and
- (iv) an Advisory Board to provide expert advice and assistance to the REIT Manager as needed.

### Management Board

In January 2014, the Management Board of the REIT comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman), Ms. Magali Mouquet (Executive Director), Mr. Mark Inch and Mr. Mohamed Al Nahdi.

On 5 March 2014, Mr. Mohamed Al Nahdi stepped down from the Board.

As a post 2014 event, Mr. Mark Inch retired from the Board on 1 March 2015. The Board is now comprised of Mr. Abdulla Al Hamli (Chairman), Mr. Sylvain Vieujot (Executive Deputy Chairman) and Ms. Magali Mouquet (Executive Director).

### Oversight Board

The Oversight Board of Dr. Obaid Al Zaabi, Mr. Suresh Kumar and Mr. Abdul Wahab Al-Halabi were re-appointed on 1 February 2014 for a further year.

In November 2014, Dr. Obaid Al Zaabi resigned from the Oversight Board. The vacancy was filled by the appointment of Mr. Nasser Rafi.

## Investment Board

On 26 January 2014, shareholders approved the reappointment of Mr. Marwan Bin Ghulaita and Mr. David Savy and the appointment of Mr. Hamad Buamim to the Investment Board for a period of 12 months from 1 February 2014.

Mr. Hamad Buamim, was appointed as a director of DIB on 2 March 2014, subsequent to his appointment to the Investment Board. DIB was, at the time, the owner of 25% of the issued share capital of the REIT Manager. The DFSA Collective

Investment Rules require that the Investment Board comprise three experts who are independent of the REIT Manager. In the light of this Mr. Buamim stepped down from his role on the Investment Board on 1 June 2014.

The vacancy was filled by the appointment of Mr. Abdulla Al Hashemi on 22 June 2014, which was approved at the shareholder Annual General Meeting ("AGM").

## Shari'a Supervisory Board

On 26 January 2014, shareholders approved the reappointment of Dr. Mohamed Adbul Hakim Zoeir and Mr. Mian Mohammed Nazir, and the appointment of Mr. Mossa Tariq Khoory to the Shari'a Supervisory Board for a period of 12 months, from 1 February 2014.

Post 2014, on 26 January 2015, shareholders approved the appointment of Dr. Muhiuddin Ghazi, as a replacement for Mr. Moosa Tariq Khoory.

## Advisory Board

In January 2014, Mr. Khalid Al Malik (Dubai Properties Group LLC), Mr. Todd Betts (TECOM Investments FZ LLC), Mr. Kunal Bansal (Vintage Buillion DMCC ) and Mr. Faisal Mikou (Arabica Investments), were reappointed to the Advisory Board for a further term of 12 months.

In October 2014, Mr. Todd Betts resigned from his position at TECOM Investments and the REIT Advisory Board. The vacancy was filled by Mr. Michael Wunderbaldinger, the new Chief Financial Officer of TECOM Investments.

## Matters Approved by Shareholders

### Preparation for IPO

A Shareholders meeting was held on 26 January 2014, in the lead up to the listing of Emirates REIT on NASDAQ Dubai. Key Resolutions passed at this meeting included:

- The adoption of new Articles of Association of the REIT in preparation for the public listing. Under the new Articles of Association, the REIT changed the NAV calculation to follow IFRS accounting policies from 31 January 2014. Therefore, the NAV per Share represents the total equity of the REIT (as per IFRS accounting) divided by the total number of Shares outstanding at that date.
- The subdivision of the nominal value of the shares resulting in the REIT's issued share capital changing from 1,516,426 shares and one Manager share with a nominal value of USD 100 per share to 151,642,600 shares with a nominal value of USD 1 per share and one Manager share which retained a nominal value of USD 100. The impact of the share sub-division on the previously reported NAV per share was to divide by a factor of 100.
- Changes to the Governing Body Committees; the appointment of Mr. Hamad Buamim to the Investment Board in place of Mr. Iskandar Safa and the appointment of Mr. Moosa Tariq Khoory in place of Dr. Hussain Hamad Hassan on the Shari'a Supervisory Board.
- The approval to proceed with the listing application for the admission of Emirates REIT shares on the Official List of the DFSA and to trading on NASDAQ Dubai.

## Shareholder Lock-In

In March 2014, Shareholders approved that they are subject to a lock-in of at least six months' duration following the date of listing of the REIT as outlined below:

- Shares issued in 2013 were subject to a lock-in arrangement for a period of six months from the date of admission, with such number of shares amounting to 8.5% of the issued share capital of the REIT at admission; and
- Shares issued prior to 31 December 2012 were subject to a further lock-in arrangement of six month (a total of 12 months from the date of admission) with such number of shares amounting to 42.15% of the issued share capital of the REIT at admission.

On 8 October 2014 the first lock in period expired.

As at 31 December 2014, the number of shares held in the exchange's Central Securities Depository ("CSD") were 154,387,441.

## Dividend Payment

A Dividend was paid in 2014 relating to the year ended 31 December 2013 totalling USD 14.98 million (USD 0.05 per share), following approval at the AGM of the Shareholders held on 22 June 2014.

The dividend was paid on 30 June 2014 to shareholders on the share register on 18 June 2014.

### Amendments to the Articles of Association post listing

In June 2014, Shareholders approved revised Articles of Association which were updated to better reflect the administrative and operational processes of the REIT following its listing on NASDAQ Dubai. Key changes included:

- amendment to process of determining the dividend record date;
- clarification to the role of the DFSA in approving any changes to the Articles of Association;
- amendment to definition of independence of a shareholder from the REIT Manager;
- ability of the Management Board to appoint a person to the Investment Board should a casual vacancy arise, until such time as the next general meeting following the appointment; and
- clarification on the process of serving notices on Shareholders by the REIT.

## Annual Resolution to provide the required approval of the modification of CIR 8.3.2

At the AGM in June 2014, the Shareholders provided the required approval to enter into transactions with Affected Persons, in accordance with the modified version of CIR 8.3.2, set out in the Modification Notice granted by the DFSA on 6 March 2014.

CIR 8.3.2 set outs various requirements as regards transactions with Affected Persons (as defined in the CIR) which includes a requirement for approval by a Special Resolution of a proposed transaction with an Affected Person when the total consideration or value of the investment opportunity is five per cent (5%) or more of the most recent net asset value ("NAV") as disclosed in the latest published audited accounts of the REIT ("Latest NAV").

The REIT Manager believes that any such requirement for such approval by Special Resolution would be seriously detrimental to the ability of the REIT to conduct its business as convening a general meeting of Shareholders would:

- (a) take a minimum of 21 days;
- (b) require the REIT to enter into a conditional acquisition contract; and
- (c) make details of the proposed transaction publicly available before it is completed.

The characteristics of the market in the UAE and Dubai in particular are such that conditional acquisition contracts are not common and the REIT Manager believes that this, coupled with the potential loss of confidentiality leading to competing bids for transactions, would result in the REIT missing out on a significant number of acquisition opportunities. As a result of these significant issues the REIT Manager requested of the DFSA, and was granted, a modification of CIR Rule 8.3.2. The continued applicability of the modification is conditional upon shareholder approval at every AGM of the REIT.

### Annual Resolution to provide the required approval of the modification of CIR 13.4.16

At the AGM in June 2014, the Shareholders provided the required approval in accordance with the modified version of CIR 13.4.16 set out in the Modification Notice granted by the DFSA on 6 March 2014.

The REIT Manager must ensure that any Affected Party transactions in the nature of services provided relating to the real property of the REIT in the ordinary and usual course of estate management, including renovation and maintenance work, are contracted on normal commercial terms. The REIT has been granted a waiver by the DFSA of the requirement that the terms of ordinary and usual course services with Affected Parties are subject to prior approval of the Oversight Committee as follows.

Subject to Shareholder approval at every AGM of the REIT, then (i) in respect of the provision of such services where it is envisaged that the Affected Party would be paid a total consideration less than five per cent (5%) of the latest NAV and such services are contracted on normal commercial terms, no prior approval of the Oversight Committee is required; and (ii) in respect of the provision of such services where it is envisaged that the Affected Party would be paid a total consideration equal to or greater than five per cent (5%) of the latest NAV then prior to the engagement of the Related Party to carry out such services the terms of such engagement must be approved by the Oversight Committee. The modification is conditional upon shareholders approval at every AGM of the REIT.

### Annual Resolution to provide the required approval of the modification of CIR 13.4.17

At the AGM in June 2014, the Shareholders provided the required approval in accordance with the modified version of CIR 13.4.17, as set out in the Modification Notice granted by the DFSA on 6 March 2014.

CIR 13.4.17 prohibits the engagement of Affected Persons as property agents for rendering services (including advisory or agency services) to the REIT in property transactions. The REIT has, however, been granted a modification by the DFSA as regards the application of this rule. The characteristics of the market in the UAE and Dubai in particular are such that a significant number of

the property agents with whom the REIT must engage if it is to ensure that it is being made aware of the most attractive potential transactions are Affected Persons. If the REIT was not able to deal with these property agents, the REIT Manager believes that the REIT would be at a significant commercial disadvantage.

As a result of this, the REIT Manager was granted a significant modification of CIR 13.4.17 by the DFSA. The continued applicability of the modification is conditional upon shareholders approval at every AGM of the REIT.

## Matters to be brought to the Shareholders' Attention

### Disclosure of Connected Person Transaction

Mr. AbdulMonem Rashed AlRashed, Director of RIMCO Investment Company LLC notified the REIT that with effect from 3 April 2014, RIMCO Investments LLC, has been allocated 14,705,882 shares of the REIT at a price of USD 1.36, from the IPO allocation. At the date of notification their total ownership in the REIT was 5.25% of the issued shares.

On 14 May 2014 as a result of the additional 19,301,470 ordinary shares issued due to the exercise of the over-allotment option on 11 May 2014, RIMCO Investments LLC shareholding position was reduced to 4.9% of the REIT's outstanding shares.

### Reduction in Borrowing Costs

On 28 April 2014 the REIT announced it had agreed a new profit rate of 3 month EIBOR + 2.5% per annum (with no minimum) with Ajman Bank PJSC, one of its provider of finance.

On 13 May 2014 Emirates REIT announced that it has successfully reduced the current costs of all its outstanding debt facilities. Further to the reduction of the borrowing costs for its debt facility with

Ajman Bank, Emirates REIT also agreed the same reduction of the borrowing costs for its Ijarah debt facilities with Emirates Islamic Bank. The new agreed profit rate is 3 month EIBOR +2.5% per annum (with no minimum), effective from 1 May 2014.



### Increase in Rent Rates for 5 properties

On 17 June 2014 TECOM Investments ("TECOM") notified Emirates REIT of new increased rent rates and service charge rates across Dubai Internet City, Dubai Media City and Dubai Knowledge Village. These new rates, which are charged to Tecom tenants, apply immediately as outlined below.

The previous TECOM rent rate ranged between AED 108 to AED 135 per sqft, and the previous service charge rates was AED 25 per sqft.

The rent rates for new leases is now AED 155 per

sqft (+15% to +43% increase), and the rates for renewal leases ranges between AED 121 to AED 142 per sqft. The new service charge rate is AED 30 per sqft (+20% increase).

These new rates immediately apply to the tenants of Building 24.

Emirates REIT has also accordingly reviewed it's rental prices for the three Loft Offices buildings and Office Park which are within the TECOM free zones.

### New Corporate Ijarah Facilities

On 21 July 2014 the REIT announced that it had agreed a new corporate Ijarah with Emirates Islamic Bank ("EIB") for USD 29.13 million (AED 107 million) on the same terms as its existing Ijarah facilities with EIB (profit rate of EIBOR + 2.5%, with no minimum rate, fully amortising over 10 years). The financing is secured by way of additional

mortgage on properties already mortgaged to EIB. The funds were drawn down upon completion of the registration of the mortgage. The funds were used to finance remaining payments due on Index Tower and for existing asset enhancements.

## Inclusion into the FTSE EPRA/NAREIT Global Emerging Index

On 1 October 2014, the REIT was selected to join the FTSE EPRA/NAREIT Global Emerging Index. The FTSE European Public Real Estate Association ('EPRA') / National Association of Real Estate Investment Trusts ('NAREIT') Global Real Estate Index Series, launched in 2008, covers the world's largest investment markets and includes a range of indices covering Emerging and Developed Markets.

The FTSE EPRA/NAREIT Global Emerging Index ('the Index') is designed to track the performance of listed real estate companies and REITs in emerging markets. The Index constituents are adjusted for the size of their free-float and are therefore suitable for index tracking funds, derivatives and exchange traded funds and as a performance benchmark.

The REIT is the 4th UAE company to join the Index after Emaar Properties, Aldar Properties and RAK Properties.

## Post Year End Events

### Additional Borrowings

On 15 January 2015, the REIT increased its Ijarah with Ajman Bank PJSC on Gems World Academy Dubai to USD 50.37 million (AED 185 million) resulting in additional gross funds of USD 25.93 million (AED 95.25 million).

These additional funds are being used to finance existing asset enhancements. Further details can be found in the Operating and Financial Review Section of this Annual Report.

### Interim Dividend

On 26 January 2015 the shareholders approved an interim dividend of USD 0.04 per ordinary share for the financial year ending 31 December 2014.

The dividend was paid on 31 January 2015 to shareholders on the register on 21 January 2015.

### Change in ownership of the REIT Manager

On 1 March 2015 Emirates REIT announced that Eiffel Management had acquired Dubai Islamic Bank's 25% stake in the REIT Manager.

The transaction, means that Eiffel Management Limited now owns 100% of the REIT Manager's total issued share capital.

### Retirement of Non-Executive Director of the REIT Manager

On 2 March 2015 Emirates REIT announced the retirement of Mr. Mark Inch as a Non-Executive Director from the Board of Directors of the REIT Manager, with effect from 1 March 2015.



GOVERNANCE



# Annual Report of the Oversight Board

for the period ending 31 December 2014

## Introduction

This report from the Oversight Board of the REIT Manager is made pursuant to Article 10.3.13 of the Collective Investment Rules ("CIR") of the Dubai Financial Services Authority (the "DFSA").

The Oversight Committee may be referred as the Oversight Board.

## Members of the Oversight Committee during 2014

- Mr. Suresh Kumar
- Mr. Abdul Wahab al Halabi
- Dr. Obaid Al Zaabi (resigned on 17 November 2014)
- Mr. Nasser Rafi (appointed on 17 November 2014)

## Summary of the rules

Rule 10.3.13 requires that this report contains a summary statement of the duties of the persons carrying out the oversight functions and in respect of the safe keeping of REIT Property. It must also include a statement as to whether in any material respect the issue, sale, redemption and cancellation, and calculation of price of the units and the application of the REIT's income have not

been carried out in accordance with the Collective Investment Rules of the DFSA and the Constitution of the REIT. It must also include whether in any material respect, the investment and borrowing powers and restrictions applicable to the REIT have been exceeded.

The general oversight duties are set out in Rule 10.3.4 of the CIR Module. Rule 10.3.4 states as follows:

The Persons providing the oversight function must:

- (a) monitor whether the REIT Manager:
    - (i) is managing the REIT in accordance with the Constitution and the most recent Prospectus of the REIT, including in particular, any investment and borrowing limitations, requirements relating to the valuation of REIT Property and any other requirements or restrictions imposed on the REIT under the Law or any Rules in this module;
    - (ii) is complying with any terms and conditions on the REIT Manager's License, particularly with respect to the management of the REIT; and
  - (b) assess whether the REIT Manager's systems and controls, particularly those relating to risk management and compliance, operate as intended and remain adequate;
  - (c) report to the REIT Manager on its findings, including any actual or potential breaches or inadequacies in relation to the matters specified in (a) and (b), as soon as such breaches or inadequacies are identified or suspected; and
  - (d) report to the DFSA if:
    - (i) the REIT Manager has failed, or is reasonably likely to fail, to take appropriate action to rectify or remedy a matter reported to it within 30 days of that matter being so reported; and
    - (ii) that Person believes on reasonable grounds that the matter has had, or is likely to have, a materially adverse impact on the interests of the Unitholders of the REIT.
- (iii) if it is an External REIT Manager, is complying with the specific requirements that apply to such a Person by virtue of being an External REIT Manager;



## Matters of the Board

The Board met four (4) times in the year 2014 and these meetings were held in the REIT Manager's office in the Dubai International Financial Centre (DIFC).

Aside to meeting, the Oversight Board also resolved matters by way of written resolutions in 2014.

## IPO Update

In April 2014, the REIT was listed on NASDAQ Dubai.

The REIT issued a total of 147,977,941 ordinary shares through an Initial Public Offering ("IPO") priced at USD 1.36 per share.

The number of shares as at 31<sup>st</sup> December 2014 was 299,620,541.

## Dividend

During 2014, the REIT distributed the final dividend for the year 2013 of USD 14.98 million equating to a total dividend per ordinary share of USD 0.05 on 30 June 2014.

The REIT also distributed an interim for the year ended 31 December 2014 of USD 0.04 per ordinary share on 31 January 2015.

The Oversight Board is satisfied that distribution of each of these dividends were in accordance with CIR 13.5.2 (2).

## Investments

The Board is satisfied that all investments during 2014 have been made in accordance with the requirements of the CIR and the required processes have been adhered.

The Board noted that the total gross portfolio value as at 31 December 2014 was USD 574 million and the cash held by the REIT as at 31 December 2014 was 4% of the total NAV, amounting to USD 16.63 million.

## Affected Person Transactions

The DFSA issued a Modification Notice to the rules surrounding the Affected Person Transactions on the 6 March 2014:

“The Oversight Board must confirm that any transactions or engagements by Affected Persons, where the proposed transaction is 5% or more of the most recent net asset value of the REIT as stated in the last published audited accounts of the REIT, are at least as favourable as any similar transaction entered into with an independent third party. The Oversight Board must provide written notification to the DFSA where the proposed

transaction is less than 5% but more than 2.5% of the most recent net asset value of the REIT as stated in the last published audited accounts of the REIT.”

There were no new affected party transactions in 2014 and the affected party transactions during the year were based on existing approved contracts/ lease agreements.

The Board is satisfied that all the affected party transactions during the year were in accordance to the requirements of the Modification Notice.

## Valuation Requirements

The valuation of the Portfolio of the REIT were conducted by CBRE and Asteco Property Management LLC.

The Oversight Board is satisfied that the valuations of the REIT properties were conducted in accordance to the CIR 13.4.23(b).

The acquisitions during the year were USD 213 million and the Oversight Board is satisfied that all the acquisitions were acquired in accordance to Rule 13.4.21.

## Borrowing Limits

Under the REIT Regulations, the borrowing limitations imposed on the REIT are that the REIT may not borrow more than 70% of the Net Asset Value of the REIT.

The total borrowings as at 31 December 2014 was USD 153 million against the net asset value of USD 432 million, a ratio of 35%.

The Oversight Board is satisfied that borrowing limits were observed.

## Eligible Custodian

In relation to the safekeeping of title documents of the REIT Property, a Custodian has been appointed and the documents to the REIT Property are deposited with the Custodian in an off

site location, except those title deeds held with the REIT Manager whilst pending resolution of the waiver request from the Regulators.

## Compliance

The Board is satisfied that the REIT Manager is complying with the terms and conditions of its license, particularly with respect to the management of the REIT. The Board is also satisfied that the REIT is being managed in accordance with its constitution.

The Board is satisfied that the REIT Manager's systems and controls, particularly those relating to

risk management and compliance operate as intended and remain adequate.

The Board does not feel that there are any actual or potential breaches of Rules 10.3.4 (a) or (b) to be reported for the REIT Manager.

The Board also does not have any matter to report to the DFSA.

Mr. Suresh Kumar

Mr. Abdul Wahab Al Halabi

Mr. Nasser Rafi

31 March 2015



# Annual Report of the Investment Board

for the period ending 31 December 2014

## Introduction

This report from the Investment Board of the Emirates REIT (CEIC) Limited (the "REIT") is made pursuant to Article 100.2 of the Articles of Association of the REIT (the "Articles") and the DFSA Collective Investment Rules (the "CIR Rules").

Under the Articles, it is the sole role of the Investment Board to review investment opportunities. Its members must not involve themselves in the day to day management of the REIT. No investment shall be made by the REIT without the prior approval of the Investment Board.

## Members of the Investment Board during 2014

Every 12 months at a meeting of the shareholders of the REIT, at least three experts proposed by the REIT Manager are elected by the shareholders to sit on the Investment Board.

There were the following appointments and re-appointments of Board Members during 2014:

- On 26 January 2014, the shareholders of the REIT re-appointed Mr. Marwan bin Ghulaita, Mr. David Savy and Mr. Hamad Buamin for another period of 12 months until 31 January 2015.
- Subsequent to the appointment, Mr. Hamad Buamin had to step down from his role on the Investment Board. This was due to his new appointment as a director of Dubai Islamic Bank ("DIB"), whom were owners of 25% of the issued share capital of the REIT Manager. Mr. Buamin's role at DIB meant that he was no longer considered independent of the REIT Manager.
- The shareholders of the REIT convened a General Meeting on the 22 June 2014 to appoint Mr. Abdulla Al Hashemi as the new member of the Investment Board.

## Investment Activities during 2014

The Investment Board reviewed and evaluated the following assets, and confirmed they had no objection to the REIT acquiring the proposed properties during 2014:

- May 2014 - Le Grande Community Mall, Dubai Marina – 22 retail units and 161 car parking spaces.
- June 2014 - Index Tower, DIFC – 15.64 office floors and 706 car parking spaces.
- December 2014 - Index Tower, DIFC - half of eighth floor.

All of the assets reviewed by the Investment Board were acquired by the REIT, at or below the independent valuation.

In the 12 month period ended 31 December 2014, the REIT acquired investment properties for a total consideration of USD 213.4 million (AED 783.9 million).

The REIT also had properties enhancement programs amounting to USD 1.3 million (AED 4.8 million) as at 31 December 2014.

There were no disposals of property which the Investment Board were required to consider during the period covered by this report.

There were no material issues raised by the Investment Board during the period covered by this report.

Mr. David Savy

Mr. Marwan bin Ghulaita

Mr. Abdulla al Hashemi

16 April 2015

# Shari'a Compliance Certificate

issued by the Shari'a Supervisory Board  
for the period ending 31 December 2014

## Subject of this Certificate

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

## Shari'a summary of the REIT

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

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

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

REIT and the Shareholders in terms of Shari'a compliance.

Further to the clause above, the 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 Half-Yearly Report of Shari'a Review conducted by Dar Al Shari'a Legal & Financial Consultancy LLC (the "Dar Al Shari'a") on the REIT

for the period commencing from 1 July 2014 and ending on 31 December 2014 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

## Shari'a Review of the REIT by Shari'a Supervisory Board

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

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

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

## Pronouncement by Shari'a Supervisory Board of the REIT

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

a) The Activities and Transactions executed by the REIT during the period commencing from 1 July 2014 and ending on 31 December 2014 (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.

Dr. Abdul Hakim Zoeir

Mr. Mian Muhammad Nazir

Dr. Muhiuddin Ghazi

22 February 2015



# OPERATING AND FINANCIAL REVIEW



## Summary

The following is a discussion and analysis of the results of operations and financial condition of the REIT as at and for the year ended 31 December 2014 ("FY 2014"), and presents the REIT Manager's perspective on the results of operations and financial condition of the REIT as at this date and during the year. This operating and financial review section should be read in conjunction with the REIT's audited financial results for the year ended 31 December 2014 (the "Financial Results") set out in Appendix A to this report.

The discussion and analysis in this section is based on the Financial Results, which are prepared in accordance with International Financial Reporting Standards (IFRS). Save as disclosed, all financial information included in this "Operating and Financial Review" section has been extracted from the Financial Results or extracted from the underlying accounting records of the REIT.

The functional currency of the REIT is UAE Dirhams, however the financial statements are presented in USD, the REIT's presentational currency, translated at a rate of AED 3.673 to USD.

Due to rounding, numbers presented throughout this section may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## Overview

The REIT is a closed-ended investment company with unlimited duration and was established in the DIFC by the REIT Manager on 28 November 2010 under the Companies Law with the name "Emirates REIT (CEIC) Limited" and with registration number 0997. The REIT is categorized under the Dubai Financial Services Authority (the "DFSA") Collective Investment Rules as a Domestic Fund, an Islamic Fund, a Property Fund and a Real Estate Investment Trust (REIT). The REIT was admitted to the Official List maintained by the DFSA and also to trading on NASDAQ Dubai on the 8 April 2014.

The REIT is managed by the REIT Manager, which is the sole Director of the REIT.

The REIT does not hold any subsidiary interests as of the date of this report. The REIT has two branches outside of the DIFC registered as branches of a foreign company, being the Onshore Dubai Branch and the Tecom Branch. The Onshore Dubai Branch enables the REIT to hold properties in Onshore Dubai and the Tecom Branch enables the REIT to manage properties in Tecom.

## Financial highlights

### Income and earnings

USD '000	Year ended - Audited		Change
	31 December 2014	31 December 2013	
Property income	36,926	24,421	12,505
Net rental income	27,029	18,666	8,363
Net property income	64,447	45,952	18,495
Operating profit	53,678	38,671	15,007
Finance cost, net	(5,120)	(3,825)	(1,295)
Net Profit	48,558	34,846	13,712
Adjusted Net Profit*	11,887	8,263	3,624
EPS (USD)	0.19	0.26	(0.07)
Adjusted EPS* (USD)	0.05	0.06	(0.01)

\* excluding revaluation and IPO costs

### Balance sheet

USD '000	Year ended - Audited		Change
	31 December 2014	31 December 2013	
Investment property	575,332	323,131	252,201
Total assets	594,149	333,210	260,939
Equity	432,036	205,058	226,978
Liabilities	(162,113)	(128,152)	(33,961)
NAV per share in USD	1.4419	1.3522	0.0897*
LTV	25.8%	31.7%	(5.9pp)
Loan to NAV	35.5%	51.5%	(16.0pp)

\* total movement excludes a dividend paid of USD 0.05 per share

The key financial highlights for the REIT for the year ended 31 December 2014 can be summarised as:

- Property income was USD 36.9 million, up 51.2% from USD 24.42 million for the year ended 31<sup>st</sup> December 2013 ("FY 2013").
- Net property income (including revaluation gains of USD 37.4 million) was USD 64.4 million representing an increase of USD 18.50 million or 40.2% over the previous year figure of USD 45.95 million (including revaluation gains of USD 27.27 million for FY 2013).
- Net profit for FY 2014 amounted to USD 48.56 million compared to USD 34.85 million for the previous year, an increase of 39.3%.
- "Cash profit" i.e. net profit excluding revaluation gains and IPO costs was up 43.9% to USD 11.89 million.
- Investment property revaluation gains were USD 37.42 million in FY 2014. These valuations reflect both increases in rental income during the period and also improved occupancy. Assumed capitalisation yields have also compressed slightly during the period and at 31 December 2014 are in the range of 8.00% - 9.00% across the portfolio (31 December 2013 : 8.62% - 9.47%).
- NAV has increased from USD 1.35 per share as at 31 December 2013 to USD 1.44 per share as at 31 December 2014. Including the impact of the dividend paid of USD 0.05 per share, this represents an increase of USD 0.14 per share or an annualized percentage return of over 10.3%.
- The portfolio value at 31 December 2014 stood at USD 575.33 million compared to USD 323.13 million at 31 December 2013 reflecting the impact of acquisitions and additions during the period of USD 214.78 million and valuation gains of USD 37.42 million.
- As at 31 December 2014, the REIT Manager comprised of 15 employees, including 5 Key Management employees. For the financial year 2014, the REIT Manager has paid a total of USD 3.21 million as remuneration, including USD 2.47 million as fixed remuneration and USD 0.74 million as variable remuneration. The total amount of remuneration paid to Key Management Employees in 2014 equals to USD 2.22 million , including USD 1.60 million as fixed remuneration and USD 0.61 million as variable remuneration.



- New Islamic financing of USD 58.8 million (gross) was utilized in FY 2014 to part fund the acquisition of 16.14 commercial office floors at the Index building. Ongoing repayment of borrowings over FY 2014 totaled USD 10.93 million (FY 2013: USD 5.04 million). All borrowing rates reduced in April/May 2014 to EIBOR +2.5% from EIBOR +3% with a 5.5% minimum.
- Borrowings to net assets at 31 December 2014 stood at 35.5%, well below the regulatory maximum of 70%. The REIT has scope for further financing on existing assets, including Index Tower.
- The cash position at 31 December 2014 stood at USD 16.63 million (FY 2013: USD 8.16 million).
- A total of 147,977,941 new shares relating to the IPO of the REIT were issued at USD 1.36 per share during the year giving gross proceeds of USD 201.25 million. IPO costs of USD 0.75 million and USD 7.85 million were taken to the income statement and equity share premium respectively during the year. USD 0.7 million of the total IPO costs were recorded in FY 2013.
- As at 31 December 2014 all the net IPO proceeds had been deployed with the acquisitions of Le Grande Community Mall and additional office floors at Index Tower.
- A dividend of USD 0.05 per share (total USD 14.98 million) was paid on 30 June 2014 to shareholders on the share register on 18 June 2014.

## Reconciliation of movement in NAV

	Total USD million	Per share USD
NAV at 31 December 2013	205.06	1.35
Movement in property values	37.42	0.12
New IPO shares issued	201.25	0.01
IPO costs <sup>(1)</sup>	(8.60)	(0.03)
Dividend	(14.98)	(0.05)
Net profit for the period <sup>(2)</sup>	11.89	0.04
NAV at 31 December 2014	432.04	1.44

(1) IPO costs charged in the income statement during FY 2014 and IPO costs off-set against share premium in the period.

(2) Net profit excluding net revaluation gains and IPO costs included in the income statement in FY 2014

# Analysis of Results of Operations

## Summary income statement

In USD'000	Year ended 31 December			
	2014	2013	Absolute Change	Change %
Rental income	31,726	22,336	9,390	42.0%
Service fee income	4,816	1,914	2,902	151.6%
Other income	384	171	213	124.6%
Property income	36,926	24,421	12,505	51.2%
Property operating expenses	(9,897)	(5,755)	(4,142)	72.0%
Net rental income	27,029	18,666	8,363	44.8%
Net rental income margin %	73.2%	76.4%	(3.2pp)	-
Revaluation gains	37,418	27,286	10,132	37.1%
Net property income	64,447	45,952	18,495	40.4%
Management fees				
- management fee	(7,924)	(3,778)	(4,146)	109.7%
- IPO performance fee	(918)	(1,966)	1,048	(52.5%)
IPO costs	(747)	(703)	(44)	6.2%
General and administrative	(800)	(604)	(196)	32.5%
- Fund administration	(205)	(106)	(99)	93.4%
- Subscription income	-	65	66	-
- Subscription fee	-	(116)	116	-
- Auditors (Financial & Shari'a)	(104)	(61)	(43)	70.5%
- Other expenses	(71)	(11)	(60)	545.5%
Operating profit	53,678	38,671	15,006	38.8%
Finance cost, net	(5,120)	(3,825)	(1,294)	33.8%
Net Profit	48,558	34,846	13,712	39.4%
Net Profit excluding revaluation and IPO costs	11,887	8,263	3,625	43.9%
EPS (USD)	0.19	0.26	0.06	23.1%
Adjusted EPS (USD) <sup>(1)</sup>	0.05	0.06	0.01	(16.7%)

(1) using net profit adjusted to exclude revaluation gains and IPO costs.

Excluding revaluation gains and adjusting for the impact of IPO costs, there has been a slight reduction in earnings per share which is largely due to the dilutive effect of the IPO fund raising on shareholder returns.

This will continue to be the case (in relation to adjusted profits excluding revaluation gains) until such time as the assets in which the IPO funds are now fully invested, are fully income producing.

## Rental income by property

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Building 24	2,029	1,962	67	3.4%
Indigo 7	892	895	(3)	-
Loft Offices	5,456	4,808	648	13.5%
Office Park	13,264	12,688	576	4.5%
Sub-total	21,642	20,353	1,289	6.3%
Index	13	-	13	-
GWAD	8,727	1,985	6,742	339.6%
Le Grande	1,343	-	-	-
<b>Total rental income</b>	<b>31,726</b>	<b>22,336</b>	<b>9,390</b>	<b>42.0%</b>

A "like for like" comparison of properties in operation for both periods shows a 6.3% increase in rental income for FY 2014 compared to FY 2013.

The Loft Offices and Office Park are the biggest contributors to the increase in "like to like" rental income. The increase reflects rising rental rates and improving occupancy.

GWAD which was acquired in October 2013 has contributed a full twelve months income to the total rentals recorded in the period (FY 2013: 2.7 months).

Le Grande, the retail mall acquired on the 18 May 2014 has contributed approximately 7.5 months rental income to the total rental revenue recorded in the period (FY 2013: nil).

## Service fee income by property

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Building 24	404	415	(11)	(2.6%)
Indigo 7	22	-	22	-
Loft Offices	1,193	901	292	32.4%
Office Park	1,619	436	1,183	73.1%
Sub-total	3,238	1,752	1,486	84.8%
GWAD	1,292	162	1130	697.5%
Le Grande	286	-	286	-
<b>Total service fee income</b>	<b>4,816</b>	<b>1,914</b>	<b>2,902</b>	<b>151.6%</b>

Growing service fee income, particularly at Office Park (where nearly all leases on the acquisition of the property in June 2012 contained no service fee charges), is due to the policy of introducing service charges on the renewal of leases and on all new leases.

The land rent payable by the REIT in relation to GWAD is recovered 100% through a service charge

and FY 2014 includes a full years recovery compared to FY 2013.

Overall these factors have contributed to the increase in service fee income when comparing FY 2014 to FY 2013.

Service charges are now audited annually and the REIT continues to move towards its goal of full operational cost recovery.

## Other property income

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Other property income	384	171	213	124.6%

Other property income represents income generated from the provision of miscellaneous services including visitor car parking, valet parking, temporary utility and gas connection fees and penalty income received on early lease termination.

The main increase in income in 2014 over 2013 relates to penalty fee income received in relation to the early surrender of four leases over the period and also car parking income (short term parking) from Le Grande which has operated a commercial car park since September 2014.

## Property operating expenses

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Property management fees	932	705	227	32.2%
Facility management fees - fixed	1,323	923	400	43.3%
Facility management fees - variable	849	740	109	14.7%
Utilities	2,609	2,274	335	14.7%
Community fees	342	326	16	4.9%
Land rent	1,292	162	1,130	697.5%
Service charges	1,940	401	1,539	383.8%
Other	610	225	385	171.1%
<b>Total property operating expenses</b>	<b>9,897</b>	<b>5,755</b>	<b>4,141</b>	<b>72.0%</b>

The big impacts on property operating costs in FY 2014 have been a full years land rent (fully recovered in service charge) in relation to GWAD (FY 2013: 2.5 months) and service charges which increased significantly with the acquisition of an additional 16.14 commercial office floors in Index and the Le Grande acquisition. Index Tower is currently empty and therefore the Index Service charges are a direct reduction in the REITs property operating margin as the cost is not matched by any income.

The increase in property management costs is mainly due to the impact of the Le Grande acquisition. The increase in facility management variable costs also reflects the impact of Le Grande as well as the higher replacement cost of the

facility manager at the Office Park property during the period, aimed at enhancing the running of the property.

The higher utilities cost reflect higher occupancy as the buildings reach full capacity.

The effect of the increase in property operating expenses has been to reduce the FY 2014 net rental income margin to 73.2% from 76.4% for FY 2013. The margin is expected to improve as the Index Tower assets become income generating and revenues offset the service charges that are currently being incurred.

## Gain on revaluation of investment properties

In USD'000	Investment				Investment Property
	Property fair value	Acquisitions	Additions	Valuation Gain/(Loss)	fair value
	31 December 2013				31 December 2014
Building 24	15,434	-	-	3,305	18,739
Indigo 7	6,518	-	-	1,519	8,037
Loft Offices	54,759	-	-	12,140	66,899
Office Park	110,172	-	-	18,756	128,927
Index Tower – Retail	33,474	-	(1)	696	34,168
GWAD	84,737	-	8	670	85,415
Index Tower – Office	9,325	180,507	4	1,738	191,574
Index-Tower – Car park	8,712	-	36	(36)	8,712
Le Grande Mall	-	32,916	-	(1,370)	31,546
<b>Total</b>	<b>323,131</b>	<b>213,423</b>	<b>47</b>	<b>37,418</b>	<b>574,019</b>

All the buildings have been professionally revalued at 31 December 2014 by the REIT's external independent property valuers. The main valuation gains during the period relate to Building 24, the Loft Offices and Office Park.

The uplift in valuations for these properties reflect both increases in rental income during the period and also the uplift expected in future rental income following new increased rent rates and service charge rates across Dubai Internet City, Dubai Media City and Dubai Knowledge Village.

Assumed capitalisation yields have also compressed slightly during the period and at 31<sup>st</sup> December 2014 are in the range of 8% - 9% across the portfolio (31 December 2013 : 8.62% - 9.47%).

The decrease in valuation of Le Grande reflects a decrease in passing income following the termination of four leases as part of an active asset management program for this new asset.

## Investment property in the course of development

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
	1,313	-	-	-

Investment property in the course of development represents capitalized costs in relation to the redevelopment and fit out of commercial office floors and retail space at Index Tower. The amounts capitalized are recorded at cost.

On completion of the office fit out works and retail redevelopment, capitalized expenditure will be transferred to completed investment property and valued as part of the fair value of the completed asset.

## General and Administrative expenses

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Custodian fees	43	24	19	79.2%
Board fees	182	152	30	19.7%
Valuation fees	107	50	57	114.0%
Legal expenses	112	127	(15)	(11.8%)
Branding / marketing	233	187	46	24.6%
Other	123	64	59	92.2%
<b>Total</b>	<b>800</b>	<b>604</b>	<b>196</b>	<b>32.5%</b>

General and Administrative expenses for FY 2014 have generally remained consistent with those for FY 2013. The increase in custodian fees is due to the greater number of documents held by the Custodian.

The increase in valuation fees reflects moving from half yearly to quarterly valuations as well as the increase in number of assets to be valued.

Board fees have increased as Advisory board member fees were aligned with those of the Investment and Oversight boards.

Other costs have increased as a result of the REIT becoming a listed company and include a number of listed issuer related fees such as CANDI fees, registrar fees, AGM costs etc.



## Management fees

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Management fee	7,924	3,778	4,146	109.7%
IPO performance fee	617	1,966	(1,349)	(68.6%)
Annual performance fee	301	-	301	-
<b>Total</b>	<b>8,842</b>	<b>5,744</b>	<b>3098</b>	<b>53.9%</b>

The management fee represents fees payable to the REIT Manager under the terms of the REIT Management agreement. The REIT Manager is entitled to receive a fee equal to 1.5% per annum of the gross asset value of the REIT. The increase in management fees in FY 2014 compared to FY 2013 results from the increase in gross assets from USD 333.21 million at 1 January 2013 to USD 594.15 million at 31 December 2014.

The IPO performance fee represents the one off fee paid to the REIT Manager on the IPO of the REIT under the terms of the Fund Management Agreement and was based on 5% of the increase

in NAV from the inception of the REIT to the time of the IPO. USD 2.87 million had been provided in total as at 31 December 2013 and the charge of USD 0.62 million in FY 2014 is based on the increase in NAV from 31 December 2013 to 8 April 2014 when the REIT listed on NASDAQ Dubai Ltd. The fee was paid in May 2014.

Following the IPO, the REIT Manager is entitled to receive an annual performance fee equal to 3.0% of the increase in Net Asset Value adding back dividends paid. Based on the 31 December 2014 gross asset value the annual performance fee accrued since the IPO is USD 0.3 million.

## IPO Costs

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
IPO Costs	747	703	44	6.3%

IPO costs charged in the income statement in FY 2014 amounted to USD 0.75 million (FY 2013: USD 0.7 million) and USD 7.85 million was charged to equity against the share premium account (FY 2013 : nil).

Total IPO costs amounted to USD 9.3 million. Total IPO costs as a percentage of the gross IPO proceeds were 4.6%.

## Net Finance Cost

In USD'000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Islamic finance expense	(5,196)	(4,024)	(1,172)	29.1%
Islamic finance income	76	199	(123)	(61.8%)
<b>Total</b>	<b>(5,120)</b>	<b>(3,825)</b>	<b>(1295)</b>	<b>33.9%</b>

Additional Ijarah facilities of USD 49.23 million were drawn down in October 2013 to part fund the acquisition of GWAD. A full twelve months finance expense is included for these borrowings in FY 2014 compared to only 2.7 months in FY 2013.

The profit rates on the REIT's financing facilities with Ajman Bank and Emirates Islamic Bank were reduced to EIBOR +2.5% (previously EIBOR +3% with a 5.5% minimum) effective from the beginning

of May 2014.

These reduced rates have positively impacted the last seven months of FY 2014 in terms of reduced finance expense but have been offset by increased financing expense relating to additional borrowings of USD 29.68 (AED 109 million) and USD 29.14 million (AED 107 million) (see Islamic Finance Facilities Section) which were drawn on 25 June 2014 and 24 July 2014 respectively.

## Liquidity and Capital Resources

### Cash Flow

In USD '000	Year ended 31 December		Absolute Change	Change %
	2014	2013		
Net cash from Operating activities	11,760	15,226	(3,466)	(22.7%)
Net Cash used Investing activities	(224,273)	(108,820)	(115,453)	106.1%
Net cash from financing activities	220,997	58,145	162,852	280.1%
Net Increase /(decrease) in cash	8,484	(35,449)	-	-
Cash at the beginning of the period	8,145	43,594	-	-
<b>Cash at the end of the period</b>	<b>16,629</b>	<b>8,145</b>	<b>8,484</b>	<b>51.0%</b>

The main reason for the reduction in net operating cash flow during FY 2014 compared to FY 2013 relates to the total one off IPO performance fee of USD 3.48 million which was paid in May 2014. Of the amount paid, USD 2.87 million was accrued at the 31 December 2013 and therefore represents a working capital movement cash outflow in FY 2014.

At 31 December 2014 the REIT had contractual future minimum rentals receivable as lessor under operating leases within one year of USD 31.60 million, within two to five years of USD 74.28 million, and after more than five years of USD 246.74 million.

Investing cash out flows relate primarily to the acquisition of Le Grande Community Mall and a total of 16.14 floors of commercial offices at Index Tower.

Cash capital expenditure on the fit out of commercial office floors and Index Retail redevelopment totaled USD 0.7 million at 31 December 2014. Investment property acquisitions and capital expenditure is offset by USD 0.08 million of finance income. Expenditure in the comparative period for FY 2013 related to the acquisition of Index Tower Retail which was offset by finance income of USD 0.2 million.

Financing cash flows for FY 2014 include the net IPO proceeds of USD 193.40 million in addition to a net increase in Islamic financing of USD 47.51 million. This is offset by financing cash outflows relating to the dividend of USD 14.98 million that was paid on 30 June 2014 representing USD 0.05 per share and a finance expense paid of USD 4.93 million.

## Islamic finance facilities

In USD'000	As at 31 December	
	2014	2013
Current portion	16,486	9,173
Long-term portion	136,697	96,390
<b>Total</b>	<b>153,183</b>	<b>105,563</b>
Debt finance as % of NAV	35.5%	51.5%
Debt finance as a % of total assets	25.8%	31.7%

On June 25 the REIT agreed a new co-ownership (Sharikatul Milk) and Service Agency agreement with the Commercial Bank of Dubai (Attijari Al Islami) to provide USD 29.68 million (AED 109 million) of financing that was utilized in connection with the acquisition of the 15.64 additional commercial office floors at Index Tower. The profit rate applicable to this facility is three month EIBOR +2.5% (no minimum). The facility is repayable over eight years in fully amortizing quarterly installments.

In July 2014 the REIT entered into a new Ijarah facility with Emirates Islamic Bank for USD 29.13 million (AED 107 million) before costs, on the same terms as existing EIB financing (Profit rates 3 month EIBOR +2.5%, no minimum rate, 10 year fully amortizing) and secured on existing assets mortgaged to EIB.

On 15 January 2015, after the balance sheet date, the REIT increase its Ijarah with Ajman Bank PJSC on GWAD to USD 50.37 million (AED 185 million)

resulting in additional gross funds of USD 25.93 million (AED 95.25 million). These additional funds are intended to be used to finance existing asset enhancements.

Had these additional funds been draw down at 31<sup>st</sup> December 2014, the effect would have been to increase debt finance as a percentage of NAV to 41.5% and as a percentage of total assets to 30.1%.

All of the REIT's financing facilities are secured by way of legal mortgage over the REIT's properties.

At 31 December 2014 first rank legal mortgages of USD 170.43 million (31 December 2013: USD 108.90 million) had been granted over REIT properties with a fair value of USD 331.53 million.

The REIT's Index assets and Indigo building are currently not mortgaged.

Principal of USD 10.93 million was repaid during FY 2014 (FY 2013 :USD 5.04 million) on all the REIT's finance facilities.





# APPENDIX A

## Audited Financial Statements

for the year ended 31 December 2014





# Independent Auditor's Report

for the period ending 31 December 2014

## Report on the financial statements

We have audited the accompanying financial statements of Emirates REIT (CEIC) Limited ("the REIT"), which comprise the balance sheet as at 31 December 2014, and the statements of

comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## REIT Manager's responsibility for the financial statements

Emirate REIT Management (Private) Limited ("the REIT Manager") is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and in accordance with the applicable regulatory requirements of the

Dubai Financial Services Authority ("DFSA"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the REIT as of 31 December 2014, and

its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Report on other regulatory requirements

As required by the applicable provisions of the DFSA Rulebook, we report that the financial statements have been properly prepared in accordance with the applicable requirements of the DFSA.

PricewaterhouseCoopers  
Dubai, United Arab Emirates

Audit Principal - Mohamed ElBorno  
26 January 2015

## Balance Sheet

ASSETS (USD'000)	Note	As at 31 December	
		2014	2013
<b>Non-current assets</b>			
Investment property	5	575,332	323,131
<b>Current assets</b>			
Receivables, prepayments and other assets	6	2,188	1,934
Cash and bank balances	7	16,629	8,145
Total Current Assets		18,817	10,079
<b>Total assets</b>		<b>594,149</b>	<b>333,210</b>

EQUITY AND LIABILITIES (USD'000)	Note	As at 31 December	
		2014	2013
<b>EQUITY</b>			
Share capital	8	299,621	151,643
Share premium	8	59,393	13,970
Retained earnings		73,022	39,445
<b>Total equity</b>		<b>432,036</b>	<b>205,058</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Islamic financing	9	136,697	96,390
Current liabilities			
Islamic financing	9	16,486	9,173
Accounts payable and other liabilities	10	8,930	22,589
		25,416	31,762
<b>Total liabilities</b>		<b>162,113</b>	<b>128,152</b>
<b>Total equity and liabilities</b>		<b>594,149</b>	<b>333,210</b>

NET ASSET VALUE	Note	As at 31 December	
		2014	2013
Net asset value (USD)		432,035,659	205,058,188
Number of shares*		299,620,541	151,642,700
<b>Net asset value USD per share</b>		<b>1.44</b>	<b>1.35</b>

\* The number of shares as of 31 December 2013 has been adjusted for the 100 for 1 share split as disclosed in Note 8.

These financial statements were approved by the Board of Directors of Emirates REIT Management (Private) Limited as sole director of the REIT on 25 January 2015 and signed on their behalf by Hannah Jeffery (SE0) and James Anderson (CFO).

## Statement of Comprehensive Income

In USD'000	Note	For the year ended 31 December	
		2014	2013
Rental income		31,726	22,336
Service fee income		4,816	1,914
Other property income		384	171
<b>Total property income</b>		<b>36,926</b>	<b>24,421</b>
Property operating expense		(9,897)	(5,755)
		27,029	18,666
Net unrealised gain on revaluation of investment property	5	37,418	27,286
<b>Net property income</b>		<b>64,447</b>	<b>45,952</b>
Management fee	13	(7,924)	(3,778)
Performance fee	13	(918)	(1,966)
REIT administration fee		(205)	(106)
Legal and professional fees		(104)	(61)
General and administrative expenses		(800)	(604)
Initial Public Offering ("IPO") costs		(747)	(703)
Other expenses		(71)	(11)
Subscription income		-	65
Subscription fee		-	(117)
Operating profit		53,678	38,671
Finance income		76	199
Finance costs		(5,196)	(4,024)
Finance costs, net		(5,120)	(3,825)
<b>Profit and total comprehensive income for the year</b>		<b>48,558</b>	<b>34,846</b>
<b>Earnings Per Share</b>			
Basic and diluted earnings per share (USD)	14	0.19	0.26

## Statement of Changes in Equity

In USD'000	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2013	126,293	6,531	10,938	143,762
<b>Comprehensive income</b>				
Profit for the year	-	-	34,846	34,846
<b>Transactions with shareholders</b>				
Share capital issued (Note 8)	23,448	7,161	-	30,609
Cash dividends (Note 12)	-	-	(4,159)	(4,159)
Share dividends (Note 12)	1,902	278	(2,180)	-
Total transactions with shareholders	25,350	7,439	(6,339)	26,450
<b>Balance at 31 December 2013</b>	<b>151,643</b>	<b>13,970</b>	<b>39,445</b>	<b>205,058</b>
<b>Comprehensive income</b>				
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>48,558</b>	<b>48,558</b>
<b>Transactions with shareholders</b>				
Share capital issued (Note 8)	147,978	45,423	-	193,401
Cash dividends (Note 12)	-	-	(14,981)	(14,981)
Transactions with shareholders	147,978	45,423	(14,981)	178,420
<b>Balance at 31 December 2014</b>	<b>299,621</b>	<b>59,393</b>	<b>73,022</b>	<b>432,036</b>

## Statement of Cash Flows

In USD'000	Note	For the year ended 31 Dec	
		2014	2013
<b>Operating activities</b>			
Profit for the year		48,558	34,846
<b>Adjustments for:</b>			
Net unrealised gain on revaluation of investment property	5	(37,418)	(27,286)
Finance expense		5,196	4,024
Finance income		(76)	(199)
Provision for doubtful debts, net		77	17
Operating cash flows before changes in working capital		16,337	11,402
<b>Changes in working capital:</b>			
Receivables, prepayments and other assets (net of provisions)		(331)	(576)
Accounts payable and other liabilities		(4,246)	4,400
Net cash generated from operating activities		11,760	15,226
<b>Cash flows from investing activities</b>			
Purchase/development of investment property		(224,349)	(109,019)
Finance income received		76	199
Net cash used in investing activities		(224,273)	(108,820)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of transaction costs)		193,401	21,852
Islamic financing obtained, net		47,507	43,814
Dividends paid	12	(14,981)	(4,159)
Finance expense paid		(4,930)	(3,362)
Net cash generated from financing activities		220,997	58,145
Net increase / (decrease) in cash and cash equivalents		8,484	(35,449)
Cash and cash equivalents at the beginning of the year		8,145	43,594
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>16,629</b>	<b>8,145</b>

## Non cash transactions

In 2013, the REIT acquired investment properties for a total consideration of USD128.2 million, of which USD 109 million was paid in cash, USD 8.8 million was settled by issue of shares and the balance of USD 10.4 million remained outstanding as at 31 December 2013.

No significant non cash transactions were entered into in 2014.

# Notes to the Financial Statements

for the period ending 31 December 2014

## General Information

Emirates REIT (CEIC) Limited (the "REIT") is a close 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 the REIT Manager, 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 5, Gate Village 4, DIFC, P.O. Box 482015, Dubai, UAE.

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

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

These financial statements have been approved by Emirates REIT Management (Private) Limited as sole director of the REIT on 25 January 2015.



## 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.

### 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 the applicable requirements of the DIFC Laws.

#### *Income and cash flow statement*

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

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 acquisitions of investment properties are 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 management 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. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### *Changes in accounting policies and disclosures*

(a) New standards, amendments and interpretations adopted by the REIT

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have a material impact on the REIT.

(b) Standards issued but not yet effective

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). The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement

categories for financial assets: amortised cost, fair value through OCI and fair value through P&L.

- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the REIT.

## Segment reporting

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

## Foreign currency translation

#### *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 year.

#### *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 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

### 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 properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are 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 properties 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, are 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 recent

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.

prices on less active markets or discounted cash flow projections. Valuations are performed by 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 properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an

investment property, the REIT accounts for such property in accordance with the policy stated

under property, plant and equipment up to the date of change in use.

## 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. Finance lease

Finance leases which transfer to the REIT substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

Such leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the REIT will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### ii. 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 bases 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.

## Financial instruments

### a. 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 'Receivables and other assets' (Note 6) and 'cash and bank balances' (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 interest 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 interest 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 in the statement of comprehensive income.

#### b. Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All Islamic financing facilities are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (refer Note 2.11 for the accounting policy on Islamic financing).

Financial liabilities included in accounts payable and other liabilities are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

#### Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and short-term deposits with an original

maturity of three months or less, net of outstanding bank overdrafts, if any.

#### Rental and service income receivables

Rental and service income receivables are amounts due from customers arising from leases on investment properties 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 interest method, less provision for impairment.

## 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.

## Accounts payables

Accounts 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 interest method.

## 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 derecognised as well as through the effective profit rate amortisation process. Ijarah rent expense is recognised on a time-proportion basis over the Ijarah term.

## 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.

## 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 properties is accounted for on a straight-line basis over the lease terms 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.

## 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).

## 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.



### Performance fee

Pursuant to the REIT Management Agreement, following the listing of the REIT's shares on a recognised exchange ("Admission"), a performance fee is payable to the REIT Manager.

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

### 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.

### Earnings prohibited by Shari'a

The REIT is committed to avoiding recognising any income generated from non-Islamic sources. Accordingly, any non-Islamic income is credited to

a charity fund where the REIT uses these funds for social welfare activities. To date, no non-Islamic income has been generated.

## Financial Risk Management

### 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 properties 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 and Wakala deposits. Profit rates on financial instruments having floating rates is repriced at intervals of less than one year and profit rate on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the REIT's exposure to market risk for changes in profit rate environment relates mainly to its bank borrowings and Wakala deposits.

The REIT's Islamic financing facilities are priced at a variable rate subject to no minimum rate (2013: a minimum rate of 5.5%). As at 31 December 2014, 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 1,230,256 lower/higher, mainly as a result of higher/lower finance expense.

The REIT is not exposed to any profit rate risk on any Wakala deposits as the Wakala deposit rate is fixed over the Wakala term. These deposits are short term in nature and thus do not expose the REIT to any fair value risk.

#### (b) Foreign currency risk

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.

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.

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 for credit worthiness at the time of entering a lease.

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.

#### (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 table below summarises the maturity profile of the REIT's financial liabilities based on contractual undiscounted payments.

At 31 December 2014	Less than 3 months USD'000	3 to 12 months USD'000	1 to 5 years USD'000	Over 5 years USD'000	Total USD'000
Islamic financing	5,200	17,627	105,638	62,021	190,486
Accounts payable and other liabilities	2,776	3,305	2,086	23	8,190
Total undiscounted financial liabilities	7,976	20,932	107,724	62,044	198,676

At 31 December 2013	Less than 3 months USD'000	3 to 12 months USD'000	1 to 5 years USD'000	Over 5 years USD'000	Total USD'000
Islamic financing	3,517	11,157	59,863	61,141	135,678
Accounts payable and other liabilities	14,047	6,317	1,428	77	21,869
Total undiscounted financial liabilities	17,564	17,474	61,291	61,218	157,547

#### (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 maximize 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'000 432,036 as at 31 December 2014 (2013: USD'000 205,058).

The REIT is required by DFSA regulation to limit borrowings to a maximum of 70% of net asset value. As of 31 December 2014, borrowings as a percentage of net asset was 35.5 % (2013: 51.5%).

## Fair value measurement

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

	Date of valuation	Quoted prices in active Markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
Investment property	31 December 2014	-	234,454	339,565	574,019
Investment property	31 December 2013	-	18,037	305,094	323,131

## 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 are not materially different from their carrying value unless stated otherwise.

## 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.

### 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.

#### *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.

#### *Investment property*

The REIT has elected to adopt the fair value model for investment property. Accordingly, investment properties are carried at fair value with the gain or losses arising from changes in fair values of investment properties included in the statement of comprehensive income.

## Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

### *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 properties as at 31 December 2014. For income producing investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used. However, for the three currently vacant investment properties, 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.

The determined fair value of the investment properties 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 properties and sensitivity analysis, are further explained in Note 5.

## Investment Property

As at the reporting date, the REIT held total investment properties amounting to USD'000 575,332 (31 December 2013: USD'000 323,131) comprising investment properties of USD'000 574,019 (31 December 2013: USD'000 323,131) in a

real estate portfolio of seven properties (2013: six properties) located in Dubai, UAE, and properties under development of USD'000 1,313 (31 December 2013: nil).

The movement in investment property during the year is as follows:

### Completed properties

	USD'000
<b>Balance at 1 January 2013</b>	<b>167,601</b>
Acquisitions during the year	128,244
Net unrealised gain on revaluation of investment property	27,286
<b>Balance at 31 December 2013</b>	<b>323,131</b>
<b>Balance at 1 January 2014</b>	<b>323,131</b>
Acquisitions during the year	213,423
Additions to existing properties	47
Net unrealised gain on revaluation of investment property	37,418
<b>Balance at 31 December 2014</b>	<b>574,019</b>

One of the REIT's investment properties is constructed on a plot in Dubai which is under a concession agreement and another one is

constructed on a plot which is under a land lease agreement. These agreements are for a period of 26.9 years and 43 years respectively.

### Properties under development

	USD'000
Work in progress during the year	1,313
<b>Balance at 31 December 2014</b>	<b>1,313</b>

Properties under development represent redevelopment and fit out costs incurred in relation to some of the REIT's investment

properties 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.

### Acquisition of half an office floor at Index Tower

On 7 December 2014 the REIT entered into a sale and purchase agreement for the acquisition of half an office floor at Index Tower from EFG Hermes – UAE for a cash consideration of USD 4,864,879 (AED 17,868,700). Acquisition costs included land registry fees and legal fees amounting to USD

247,544 (AED 909,229) bringing the total acquisition cost to USD 5,112,423 (AED 18,777,929). Registration of the title deed in the name of the REIT was completed on 8 December 2014.

### Acquisition of Le Grande

On 18 May 2014 the REIT acquired the community mall which forms part of the Trident Grand Residence Tower, Dubai Marina ("Le Grande"). The consideration payable under the terms of the sale and purchase agreement was USD 32,186,224

(AED 118,220,000). Acquisition costs including valuation fees, land registry fees and legal fees amounted to USD 728,187 (AED 2,674,634), bringing the total acquisition cost to USD 32,914,411 (AED 120,894,634).

### Acquisition of 15.64 office floors at Index Tower

On 23 June 2014 the REIT entered into a sale and purchase agreement for the acquisition of 15.64 office floors and 706 car parking spaces in the DIFC Index Tower from Emirates NBD Properties LLC for a cash consideration of USD 167,006,234

(AED 613,413,900). Acquisition costs including valuation fees, DIFC transfer fees and legal fees amounted to USD 8,507,117 (AED 31,246,640), bringing the total acquisition cost to USD 175,513,351 (AED 644,660,540).

### Acquisition of Index Tower – Retail and car park (2013)

Following the completion of outstanding administrative conditions, final payments were made to Emirates NBD Properties LLC in respect

of the 30 May 2013 Index Tower – Retail Contract 3

acquisition and the 18 December 2013 Index Tower – Car Park acquisition. These payments amounted

to USD 2,688,468 and USD 7,107,464 and were made on the 27 July 2014 and 31 July 2014 respectively.

A formal valuation of the REIT's investment property was performed by independent certified property valuers, on an open market basis, as at 31 December 2014. Based on such valuations, the fair value of the investment property at 31 December 2014 was USD 574,018,677 (31 December 2013: USD 323,130,956).

The valuations 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 properties have 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:

	2014	2013
	USD'000	USD'000
<b>Balance at the beginning of the year</b>	<b>305,094</b>	<b>167,601</b>
Transfer from Level 3 to Level 2	(33,474)	-
Additions of new investment property during the year	32,925	110,621
Net unrealised gain on revaluation of investments properties	35,020	26,872
<b>Balance at the end of the year</b>	<b>339,565</b>	<b>305,094</b>

For investment properties categorised under Level 3 fair value hierarchy, a valuation methodology based on a discounted cash flow (DCF) model was used. The valuation model considers the present value of net cash flows to be generated from the

property taking into account expected rental growth rate, occupancy rate, void periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates.

The significant unobservable inputs used in arriving at fair values of investment properties 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 properties are as follows:

	2014	2013
Stabilised occupancy rate (%)	90 – 100	87.5 – 100
Equivalent yield (%)	8.62 – 9.0	8.62 – 9.47
Operating Expenses (USD/sq. ft.)	5.77 – 14.42	6.09 – 9.53

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 331,527,361 (31 December 2013: USD 249,667,846) are mortgaged against Islamic financing facilities (Note 9).

## Receivables, prepayments and other assets

In USD'000	2014	2013
Rental and service income receivable	368	242
Less: Provision for doubtful debts	(106)	(29)
	<b>262</b>	<b>213</b>
Security deposit receivable	113	426
Prepayments	1,243	459
Deferred IPO cost	-	395
Other receivables	570	441
	<b>2,188</b>	<b>1,934</b>

Included in rental and service income receivable are balances due from related parties amounting to USD nil (2013: USD 28,124) (Note 13).

As at 31 December 2014, trade accounts receivable of USD 105,619 (2013: USD 29,251) were fully impaired. The movement in the allowance for impairment of receivables is as follows:

In USD'000	2014	2013
<b>Balance at the beginning of the year</b>	<b>29</b>	<b>12</b>
Charge for the year	77	19
Write off during the year	-	(2)
<b>Balance at the end of the year</b>	<b>106</b>	<b>29</b>

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

In USD'000	Total	Neither past due nor impaired	Less than 30 days	Between 30 to 60 days	Between 60 to 90 days	More than 90 days
2014	262	-	160	2	-	100
2013	213	-	32	24	1	156

There is no significant concentration of credit risk with respect to trade receivables as the REIT has a large tenant base.

## Cash and Bank Balances

In USD'000	2014	2013
Cash at banks	16,629	8,145

Balances with banks are placed with local Islamic Banks.

## Share Capital

In USD'000	Number of ordinary shares	Ordinary shares	Share premium	Total
Opening balance as at 1 January 2014	151,642,600	151,643	13,970	165,613
Proceeds from shares issued	147,977,941	147,978	45,423	193,401
<b>At 31 December 2014</b>	<b>299,620,541</b>	<b>299,621</b>	<b>59,393</b>	<b>359,014</b>
Opening balance as at 1 January 2013*	126,292,600	126,293	6,531	132,824
Share capital issued	23,448,500	23,448	7,161	30,609
Share dividends	1,901,600	1,902	278	2,180
<b>At 31 December 2013</b>	<b>151,642,700</b>	<b>151,643</b>	<b>13,970</b>	<b>165,613</b>

\* On 26 January 2014, the shareholders approved the sub-division of each issued and unissued Investor Share of USD 100 each in the capital of the Emirates REIT into 100 Investor Shares with a par value of USD 1 each. Investor Shares were renamed Ordinary Shares. The total number of Ordinary shares in issue following the share split was 151,642,600. The number of shares at the opening balance as at 1 January 2013 has been adjusted to reflect the share split.

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 USD 100; and
- (ii) 10,000,000,000 ordinary shares with a nominal par value of USD 1 per share.

On 8 April 2014, the REIT issued 128,676,471 Ordinary shares through an Initial Public Offering ("IPO"). A further 19,301,470 shares were issued on 11 May 2014 in relation with the exercise of the IPO over-allotment option. The IPO was priced at USD 1.36 per share and the over-allotment shares were issued at the same price. Gross proceeds amounted to USD 201,250,000.

Share premium includes an amount of USD 53,272,059 relating to the issue of new shares in connection with the REIT's IPO and an amount of USD 7,848,986 relating to IPO costs deducted from share premium.

## Islamic Financing

USD'000	2014	2013
Current	16,486	9,173
Non-current	136,697	96,390
	<b>153,183</b>	<b>105,563</b>

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property.

Until the introduction of revised profit rates described below, the financing facilities during the periods under audit had a profit rate of 3 month EIBOR + 3% (subject to a minimum of 5.5% per annum) payable in quarterly instalments.

On 28 April 2014 and 13 May 2014 the REIT announced the agreement of a new profit rate of 3 month EIBOR + 2.5% (with no minimum rate) with Ajman Bank PSJC and Emirates Islamic Bank ("EIB") respectively. These rate changes were effective immediately for the Ajman bank financing and with effect from the 1 May 2014 for the EIB financing.

On 22 June 2014 Emirates REIT entered into a purchase and service agreement with the Commercial Bank of Dubai (Attijari Al Islami) secured using existing properties in order to effect financing of USD 29,676,014 (AED 109,000,000). The profit rate under this agreement is 3 month EIBOR +2.5% (no minimum). The financing is fully amortised over eight years.

On 24 July 2014 Emirates REIT entered into a new Ijarah Facility with EIB and drew down USD 29,131,500 (AED 107,000,000) secured by way of additional mortgage on existing assets. The Ijarah has a profit rate of 3 month EIBOR +2.5% (no minimum) and is fully amortising over 10 years in quarterly instalments.

The financing facilities are secured by the following:

- First Rank Legal Mortgages over financed properties in favour of the banks for USD 170,432,888 (31 December 2013: USD 108,902,804).
- Assignment of comprehensive insurance over financed properties in favour of the bank.
- Assignment of rental income from financed properties in favour of the bank.

## Accounts Payable and other Liabilities

USD'000	2014	2013
Payable against investment property	900	10,468
Rent received in advance	827	2,217
Service fee received in advance	1,796	1,298
Accrued expenses	2,487	2,445
Tenant deposits payable	2,450	2,670
Management fee	13	560
Performance fee	301	2,866
Administration fee	40	22
Other payables	116	43
	8,930	22,589

Included in the above accounts are balances due to related parties amounting to USD 444,195 (2013: USD 4,086,747) (Note 13). Tenant deposits payable include an amount of USD 2,109,093 (2013: USD 1,159,651) relating to lease agreements for a period more than one year.

## 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.

## Dividends

The REIT's shareholders approved a final dividend at the annual general meeting on 22 June 2014 in relation to the year ended 31 December 2013 of USD 0.05 per Ordinary share amounting to a total dividend of USD 14,981,027 payable to those shareholders on the shareholder register on 18 June 2014.

On 27 January 2013 and 25 June 2013, the Board of Directors of the REIT declared a dividend of

USD 3 per Investor Share and USD 2 per Investor Share, respectively (on an unadjusted basis – refer to Note 8), for the year ended 31 December 2012. Dividends amounting to USD 4,159,341 were paid in cash to the shareholders while dividends amounting to USD 2,179,798 were settled by the issue of new Investor shares to the shareholders who elected to receive the dividend in the form of new shares.



## Related Party Transactions and balances

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

Dubai Islamic Bank PJSC ("DIB") holds 15.7% of the issued share capital of the REIT as at 31 December 2014 (31 December 2013: 30.9%). DIB also owns 25% of the issued share capital of the REIT Manager. 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 entered into on the acquisition of the Property by the REIT on 27 June 2011.

Dar Al Shari'a Legal & Financial Consultancy LLC ("Dar Al Shari'a") is 60% owned by Dubai Islamic Bank ("DIB"). Dar Al Shari'a acts as an advisor to the REIT and REIT Manager on matters of Shari'a.

Deyaar Development PJSC ("Deyaar") holds 1.7% of the total issued share capital of the REIT as at 31 December 2014 (31 December 2013: 3.4%). Dubai Islamic Bank ("DIB") is a major shareholder of Deyaar. A group company of Deyaar, Deyaar Facilities Management LLC, provides facility management services in respect of one of the properties held by the REIT under a facility management services 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:

USD'000	2014	2013
<b>Emirates REIT Management (Private) Ltd</b>		
Management fee	7,924	3,778
Performance fee	918	1,966
<b>Dubai Islamic Bank (P.J.S.C.)</b>		
Rental and Service income	160	204
<b>Deyaar Facilities Management LLC</b>		
Property expenses	121	162
<b>Dar Al Shari'a Legal &amp; Financial Consultancy LLC</b>		
Professional fees	105	58
<b>TECOM Investments LLC*</b>		
Property expenses	-	758
<b>Arkan Security Management Solutions LLC*</b>		
Property expenses	-	239
<b>Idama Facility Management LLC*</b>		
Property expenses	-	468
<b>Ejadah Asset Management Group LLC*</b>		
Rental income	-	329
<b>Salwan LLC*</b>		
Rental income	-	283

(b) Due from related parties comprises:

USD'000	2014	2013
Ejadah Asset Management Group LLC*	-	28

(c) Due to related parties comprises:

TECOM Investments LLC*	-	146
Emirates REIT Management (Private) Ltd	314	3,426
Dubai Islamic Bank (P.J.S.C.)	-	80
Dar Al Shari'a Legal & Financial Consultancy LLC	72	32
Deyaar Facilities Management LLC	58	59
Idama Facility Management LLC*	-	151
Arkan Security Management Solutions LLC*	-	32
Salwan LLC*	-	161
	<b>444</b>	<b>4,087</b>

\* TECOM Investments LLC and Dubai Properties Group LLC (including its subsidiaries Arkan Security Management Solutions LLC, Idama Facility Management LLC, Ejadah Asset Management Group LLC, and Salwan LLC) were classified as related parties in the financial statements for the year ended 31 December 2013. Based on an assessment performed by the REIT Manager in 2014, these entities no longer qualify as related parties in 2014.

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

The Performance fee is payable annually in arrears, after the date on which the REIT's shares were listed on a recognised stock exchange, to the REIT Manager at a rate which is currently set at 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 2014, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (2013: 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 year ended 31 December 2014 and 31 December 2013, there are no transactions with key management personnel as the REIT is managed by the REIT Manager for which a REIT Management fee is paid.

## 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.

The calculation of the weighted average number of shares has been adjusted to reflect the 100 for 1 share split detailed in Note 8 that became effective on 26 January 2014. EPS have been presented on the basis that the share split took place at the beginning of each respective reporting period.

USD'000	2014	2013
Profit attributable to Ordinary shareholders	48,558	34,846
Weighted average number of Ordinary shares for basic EPS	258,496,951 shares	132,625,824 shares
Basic and diluted earnings per share	0.19 USD	0.26 USD

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

## Commitments and Contingencies

### Commitments

At 31 December 2014, the REIT had contractual capital commitments of USD 2,517,985. In addition, the REIT had signed letters of intent for a further USD 6,979,136 in relation to fit out and redevelopment work at Index Tower Office and Retail (2013: none).

### Contingencies

At 31 December 2014, the REIT had no contingent liabilities (2013: none).

### Operating lease commitments — REIT as lessee

The REIT has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 28.8 years (2013: 29.8 years) with mutual renewal option included in some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2014 and 31 December 2013 are as follows:

USD'000	2014	2013
Within one year	1,251	1,001
After one year but not more than five years	5,005	4,004
More than 5 years	28,780	24,026
	<b>35,036</b>	<b>29,031</b>

### Operating lease commitments — REIT as lessor

The REIT has entered into commercial property leases on certain properties. These leases have an average unexpired lease term of 8.4 years (2013: 9.8 years) with mutual renewal option included in

some of the contracts. There are no restrictions placed upon the REIT by entering into these leases.

Future minimum rentals receivables under non-cancellable operating leases as at 31 December 2014 and 2013 are as follows:

USD'000	2014	2013
Within one year	31,597	28,866
After one year but not more than five years	74,276	76,352
More than 5 years	246,863	250,752
	352,736	355,970

## Subsequent Events

### Ijarah facility

On 15 January 2015 Emirates REIT increased its Ijarah facility with Ajman Bank PJSC to USD 50,367,546 (AED 185,000,000) resulting in the receipt of additional gross funds of USD 25,932,232 (AED 95,249,088) secured by way of mortgage on

the GEMS World Academy. The terms of the Ijarah facility remain at a profit rate of 3 month EIBOR +2.5% (no minimum rate) with the full amount of the total borrowings being fully amortising over 10 years commencing from 15 January 2015.





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