2017

ANNUAL REPORT

Emirates REIT

Emirates REIT

AT A GLANCE

PORTFOLIO

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

2017 IN BRIEF

Q1 2017

31 January
Dividend Distribution
USD 0.04 per share

Q2 2017

30 June
Dividend Distribution
USD 0.04 per share

Q3 2017

22 August
Acquisition of the
European Business Center
in Dubai Investments Park

12 September
Completion of British
Columbia Canadian School

Q4 2017

23 November
Shareholders approve
Sukuk issuance

12 December
Emirates REIT successfully issues a
USD 400 million 5-year Sukuk with
a profit rate of 5.125% per annum.

PORTFOLIO VALUE

860m USD

AED 3.2 bn

NET LEASABLE AREA

2.2m SQ. FT.

204,235 m^2

WEIGHTED AVERAGE LEASE EXPIRY

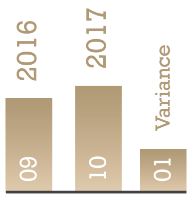
8.0 YEARS

NET ASSET VALUE

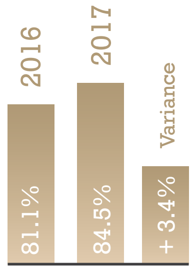
522m USD

AED 1.9 bn

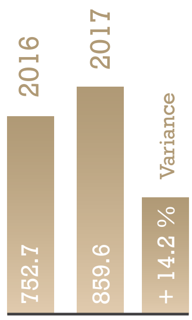
KEY PORTFOLIO STATISTICS



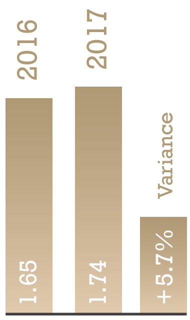
NUMBER OF PROPERTIES



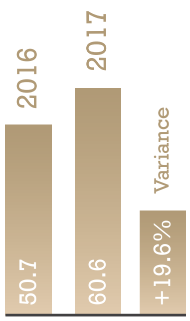
PORTFOLIO OCCUPANCY



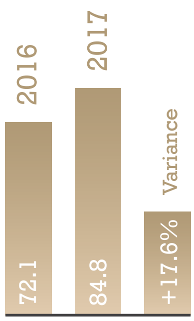
PORTFOLIO VALUE (USD MILLION)



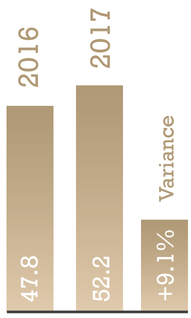
NET ASSET VALUE (USD PER SHARE)



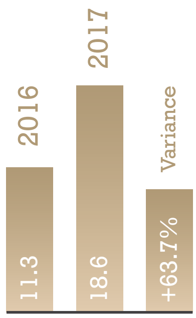
TOTAL PROPERTY INCOME (USD MILLION)



NET PROPERTY INCOME (USD MILLION)



NET PROFIT (USD MILLION)



FUNDS FROM OPERATIONS (USD MILLION)(1)

(1) FFO comprises net profit excluding revaluation gains, amortisation and Sukuk costs.

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report that Emirates REIT has continued to set the regional industry standard, becoming the first REIT from the MENA region to access the international Sukuk market.

Emirates REIT achieved this strategic milestone with the successful issuance of a 5 year USD 400 million Sukuk, and obtained a credit rating of BB+ Stable.

2017 has been a year of notable execution and solid results yielding a 10.6% total return through a 5.7% increase in NAV to USD 1.74 per share and total dividends of USD 0.08 per share.

Portfolio value surpassed the AED 3 billion mark (USD 860 million)

- Acquisition of European Business Center in Dubai Investments Park
- Completion and delivery of phase one of British Columbia Canadian School
- Completion and delivery of fitted out floors in Index Tower

Strengthening and optimising the balance sheet:

- Replacing amortising loans with fixed-rate Sukuk
- Removing variable profit-rate risk
- Extending the debt maturity profile

Enhancing efficiency in the income statement:

- 31% increase in property operating income to USD 46.7 million
- 64% growth in Funds From Operations ("FFO") to USD 18.6 million
- 74% flow-through from total property income to FFO

Financial Achievements

Emirates REIT's portfolio value reached USD 859.6 million, a year-on-year increase of 14.2% (FY 2016: USD 752.7 million). The net asset value was USD 1.74 per share, or USD 521.6 million, a total return of 10.6% including the two dividend distributions totalling 8 cents per share (USD 24.0 million), paid out in January and June 2017. The outstanding bank debt was fully repaid in December and the gearing ratio stood at 41.9% (FY 2016: 37.8%), well below the regulatory cap of 50%.

During the period, rental income continued to grow with a 19.0% increase to USD 53.9 million (FY 2016: USD 45.3 million), leading to a 19.6% increase in total property income to USD 60.6 million (FY 2016: USD 50.7 million). The acquisition of the European Business Center in Dubai Investments Park, the completion of British Columbia Canadian School as well as the incremental leasing of office units at Index Tower have significantly driven the rise.

Together with the ongoing proactive optimisation of the REIT's portfolio and operating expenses, rental income continued to boost Funds From Operations. During 2017, FFO, adjusted for non-recurring Sukuk transaction costs, increased by 63.7% to USD 18.6 million from USD 11.3 million in 2016. Net income was USD 52.2 million, a year-on-year increase of 9.1%.

Sustained demand together with active portfolio management helped deliver strong leasing results. Total occupancy reached 84.5% as at 31 December 2017 and the weighted average unexpired lease term was 8.0 years.

The diversity of Emirates REIT's real estate portfolio, combined with a strong capital position have driven the company's substantial growth and profitability.

Operations Highlights

In December 2017, Emirates REIT successfully closed a USD 400 million 5-year Sukuk with a profit rate of 5.125% per annum, which was used to refinance the REIT's existing debt and replace amortizing loans with fixed-rate bullet funding. The Sukuk removes variable interest rate risk and materially increases the REIT's free cash flow. This landmark transaction represents the tightest credit spread of any debut issue by a Dubai real estate entity.

Emirates REIT became the first REIT from the MENA region to access the international Sukuk market and obtain a credit rating. The orderbook peaked at USD 1.1 billion and was 2.5 times oversubscribed by 90 global investors. The transaction is a testament to the strong interest and trust in the REIT's robust profile, prime assets, stable cash flows and management's ability to implement its business strategy.

The British Columbia Canadian School ('BCCS') opened its doors in September 2017. Phase 1 was delivered on time and budget. It is the third operational school in the REIT's portfolio strengthening our track record of investments in the UAE education sector.

The acquisition of the European Business Center in Dubai Investments Park for USD 35.4 million (AED 130 million) has enhanced the REIT's cash flow. The transaction is expected to generate an estimated un-levered IRR in excess of 10% and will over the long term, benefit from strong capital appreciation with the completion of the adjacent metro station.

"2017 was a milestone year. The success of the Sukuk has given us the foundation we need to hedge against interest rate risks and to be well-capitalised to embark on the next phase of Emirates REIT's development."

Progress continues with the leasing of commercial space at Index Tower reflecting the growing interest and popularity of the prime asset and location with its upcoming integration into DIFC's Gate Avenue. Fit out work at the 73,650 sqft Index Mall has moved forward as per schedule and is expected to complete in H1 2018.

Dividends

In 2017, we continued to pay an annual dividend of USD 24.0 million (8 cents per share) in two tranches of USD 12.0 million (4 cents per share), in January and June.

Outlook

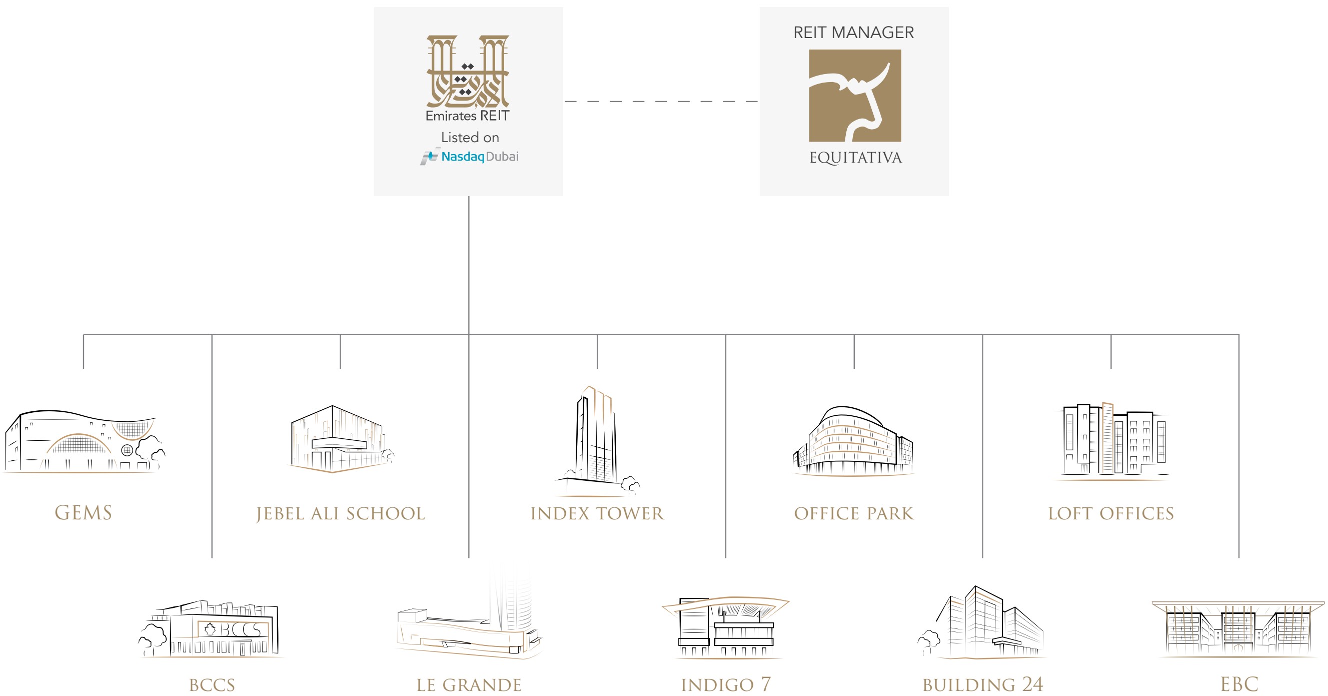
2017 was a successful year, marked by strong growth and development. In 2018, we aim to continue to deliver strong returns to shareholders through targeted value add initiatives, active portfolio management, disciplined acquisitions and prudent risk management.

We remain positive on the continued opportunities that Index Tower offers commercial tenants, strengthened with the expected completion of Index Mall and the launch of Gate Avenue at DIFC. We intend to actively explore further acquisitions across both commercial office space and education sectors.

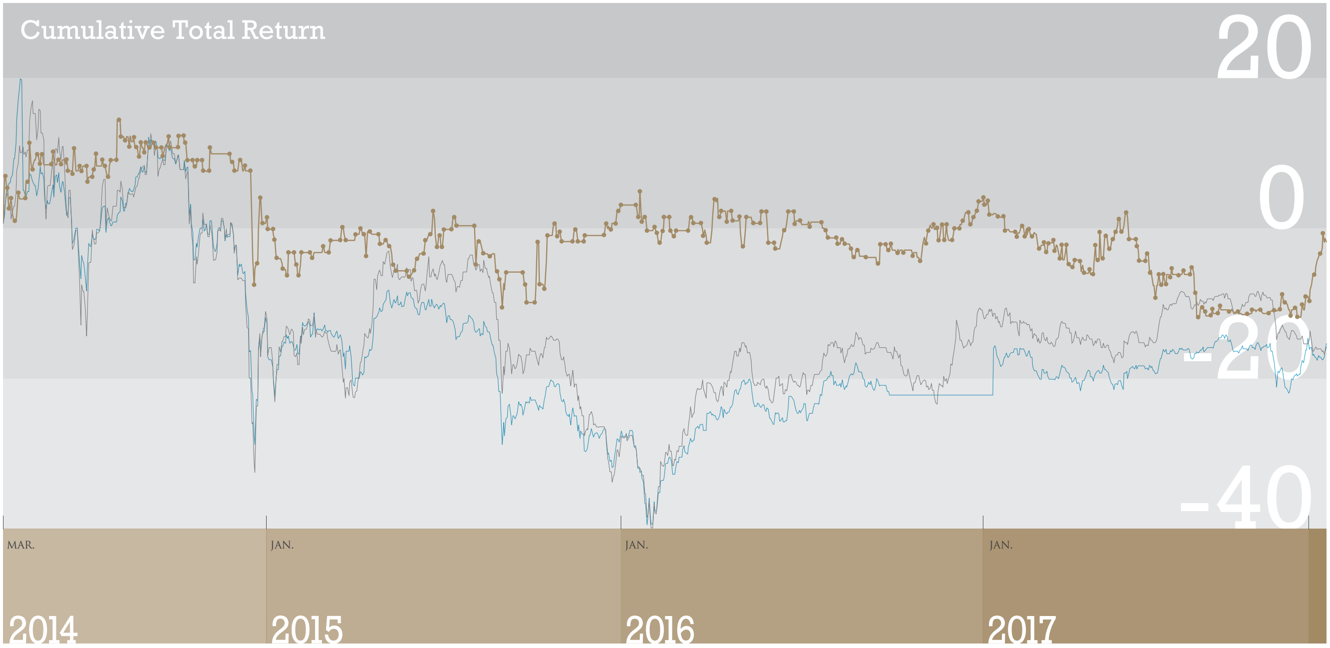
Abdulla Al Hamli
Chairman

REIT IN BRIEF

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

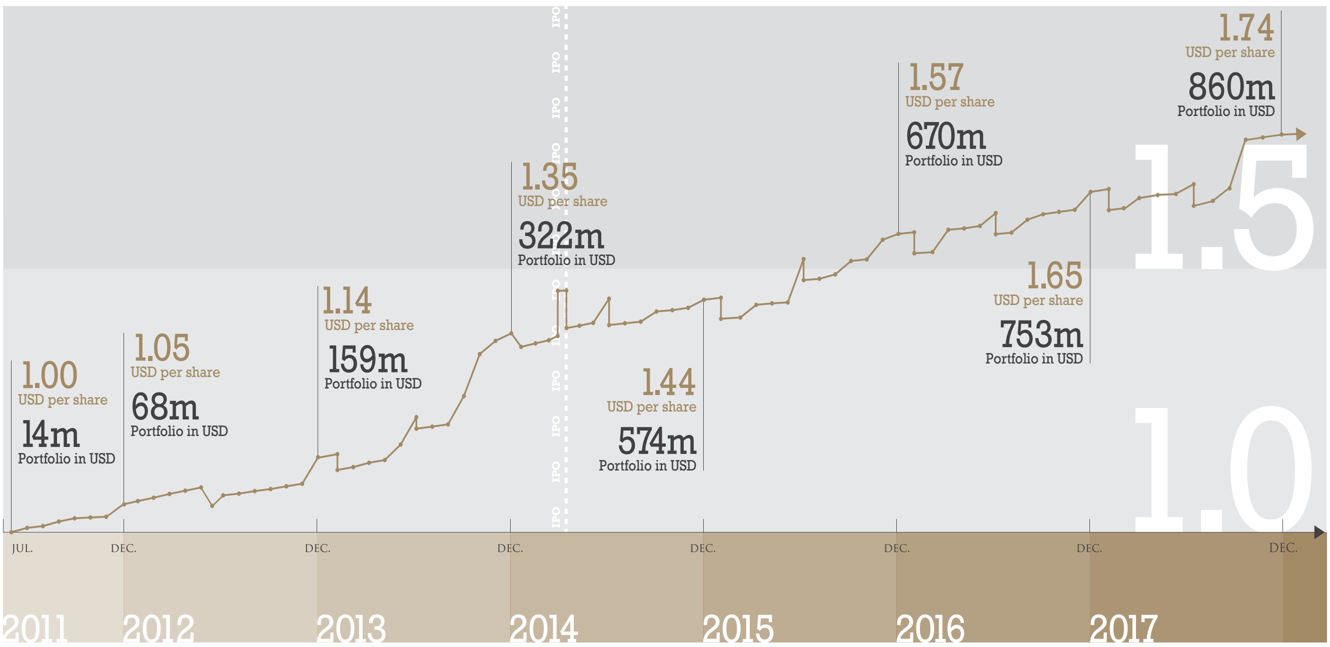


HISTORICAL TRADING



REIT DU	-23.16% Change	+0.85% Total Return	DFMGI	-28.21% Change	-16.04% Total Return	SPMNREUT	-25.6% Change	-18.95% Total Return

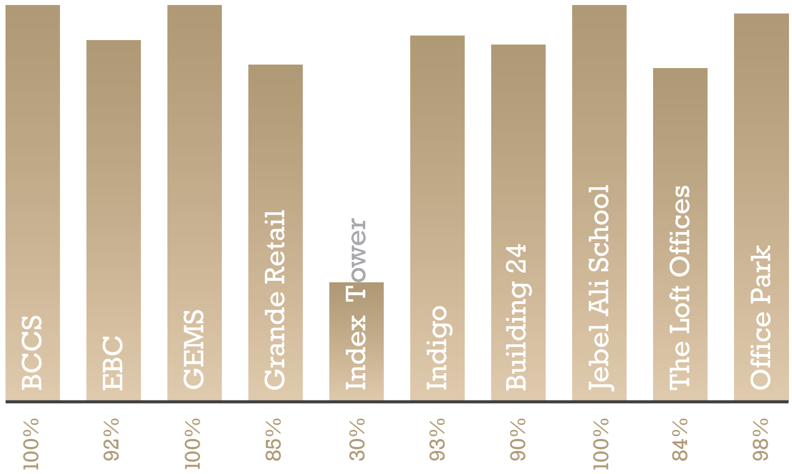
PERFORMANCE



PORTFOLIO OCCUPANCY

84.5%

TOTAL OCCUPANCY



KEY PORTFOLIO STATISTICS

	Year ended 31 December			
	2017	2016	Variance	% Variance
Number of properties	10	9	1	-
Portfolio occupancy (incl. Index Tower)	84.5%	81.1%	3.4%	-
Portfolio occupancy (excl. Index Tower)	96.1%	97.0%	(0.9%)	-
Number of tenants	358	245	113	46.1%
Net leasable area (m^2)	204,235	182,965	21,270	11.6%
Portfolio value (USD million)(1)	859.6	752.7	106.9	14.2%
Passing income (USD million)(2)	60.1	51.5	8.6	16.7%

(1) Portfolio value includes investment property and capital expenditure.
(2) Passing income represents the annualised value of contractual rentals at the end of the relevant period

INCOME AND EARNINGS

	Year ended 31 December			
USD '000	**2017**	**2016**	**Variance**	**% Variance**
Total property income	60,624	50,704	9,920	19.6%
Net property income	84,759	72,094	12,665	17.6%
Operating profit	68,511	57,077	11,434	20.0%
Net finance cost	(16,313)	(9,255)	(7,058)	76.3%
Net profit	52,198	47,822	4,376	9.1%
Funds from operations (FFO)[1]	18,571	11,347	7,224	63.7%
EPS (USD)	0.17	0.16	0.01	9.1%
FFO per share	0.06	0.04	0.02	63.7%
Portfolio return [2]	10.6%	10.2%	0.4%	-

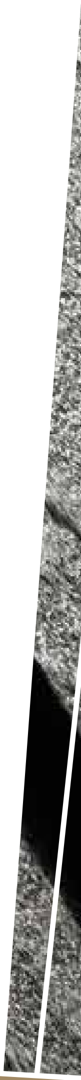
(1) FFO comprises of net profit excluding revaluation gains, amortisation and Sukuk costs.
(2) Portfolio return comprises annual growth in NAV per share, including the dividend paid to shareholders

BALANCE SHEET

	Year ended 31 December			
USD '000	**2017**	**2016**	**Variance**	**% Variance**
Investment property	859,573	752,703	106,870	14.2%
Total assets	948,732	832,468	116,264	14.0%
Equity	521,648	493,419	28,229	5.7%
Liabilities	427,084	339,049	88,035	26.0%
NAV per share (USD)	1.74	1.65	0.09	5.7%
LTV	41.9%	37.8%	4.1%	-
Net cash from operating activities	26,850	19,560	7,290	37.3%

INTERNATIONAL RECOGNITION

- TOP 100 Real Estate Companies in the Arab World
  Forbes
- Real Estate Deal of the Year 2017
  Islamic Finance News by RedMoney Group
- Best Real Estate Finance Company 2016 & 2017
  CPI Financial
- Best Real Estate Investment Fund 2017
  The Banker ME
- Best Real Estate Investment Trust ME 2017
  Acquisition International
- Deal of the Year 2017
  Acquisition International
- Best Shari'a Compliant REIT 2017
  Acquisition International
- Shari'a compliant Fund of the Year MENA 2016 & 2017
  The European
- Best Sharia Compliant Fund of the Year Middle East 2017
  MEA Markets Magazine
- Best Real Estate Investment Company MENA 2016 & 2017
  Global Banking & Finance
- Best Shari'a Compliant Fund 2017
  Global Banking & Finance
- Best Real Estate Investment Company UAE 2017
  Finance Digest Awards
- Best Diversified REIT Global 2015, 2016, 2017
  CFI - Capital Finance International
- Best in Business 2017
  Worldwide Business Review



PORTFOLIO

The Investment Board is pleased to report the activities of the portfolio for the Financial Year 2017.

01 COMMERCIAL

02 EDUCATION

03 RETAIL

The REIT owns 10 properties, comprised of 67% commercial, 25% education and 8% retail. As of 31 December 2017, portfolio occupancy was 84.5%, a stable increase of 3.4% from last year, with Index Tower being occupied at 30% (from 21% as of December 2016).

Portfolio value increased by 14.2% in FY 2017 to USD 859.6 million from USD 752.7 million in 2016.
The net asset value was USD 521.6 million at the end of FY 2017, a 5.7% increase compared to FY 2016.

Rental income continued to grow with a 19.0% increase to USD 54.0 million (FY 2016 USD 45.3 million). The Funds From Operations as of 31 December 2017 are USD 18.6 million, an increase of 63.7% year-on-year, primarily driven by the revenue of Jebel Ali School (opened in September 2016) and incremental leases in Index Tower.

Our Commercial portfolio is composed of several mixed-use properties, ranging from low rise buildings to an 80-storey iconic skyscraper.

The portfolio is well balanced with the tenant mix ranging from start-ups to regional headquarters of international companies.

Located in long-established or flourishing business areas, the tenant mix provides a sustainable income to the REIT. Even during the current challenging environment, the pro-active management of the assets generates revenue growth, including organic growth in rental rates.

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Our Educational portfolio provides a stable and long term income for the REIT. Emirates REIT owns three educational complexes, diversified in terms of location, operators and curriculum.

This sector continues to see a high demand for build-to-suit assets from education operators, which is supported by the Knowledge and Human Development Authority.

Successfully leveraging on the REIT Manager's educational real estate expertise, implementing a business model that allows for potential capital appreciation during the construction phase and potentially stable income thereafter.

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The Retail portfolio is constituted of two shopping malls adjacent to prominent skyscrapers.

Tenants include regional, local and international retailers. The variety of shops, restaurants and cafes creates an appealing atmosphere for the nearby community.

In 2017, the malls were undergoing repositioning and construction following their purchase and development in earlier years and are expected to start showing their full potential during 2018.

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COMMERCIAL

Emirates REIT commercial portfolio comprises several mixed-use (office and retail) properties located in prominent locations: Index Tower Offices, Office Park, Loft Offices, Building 24, Indigo 7 and European Business Center.

Despite the challenging business environment, the commercial portfolio has maintained a healthy average occupancy rate while achieving 45% growth in passing income from USD 29.1 million in 2016 to USD 42.1 million in 2017. This growth is mainly due to the increase of occupancy in Index Tower's office space and the acquisition of the European Business Center. Excluding Index Tower and the European Business Center, the commercial mixed use portfolio has organically increased by an average of 2% in passing income.

VALUATION
67%
SHARE OF PORTFOLIO

NLA
54%
SHARE OF PORTFOLIO

INCOME
70%
SHARE OF PORTFOLIO

Year ended 31 December	**2017**	**2016**
Market Value	USD 566.2 million *(AED 2,079.6 million)*	USD 452.2 million *(AED 1,659.6 million)*
Passing Income	USD 42.1 million *(AED 156.3 million)*	USD 29.1 million *(AED 106.9 million)*
Net Leasable Area	109,720 m^2	78,410 m^2

As at 31 December 2017, the market value of the commercial portfolio totalled USD 566.2 million.

The majority of the commercial portfolio stayed at a healthy level of occupancy, with Office Park closing the year at 98%, European Business Center at 92%, Building 24 at 90% and Indigo at 93%.
Loft Offices and Building 24, both located in Tecom and featuring shorter lease terms have been impacted the most by the market conditions, with an average decrease of 4% in occupancy. However, this decrease has been compensated by an organic growth in passing rates and new leases signed at a higher rate.

In terms of operations, the pro-active management and close monitoring of costs have enabled improvment in operational efficiency of each building. As a result, operating costs of the portfolio have decreased significantly during 2017.

Index Tower, the flagship property with significant potential for income growth, has increased its occupancy rate to 31% as at 31 December 2017, representing 62% of the increase in passing income of the commercial portfolio.

In August 2017, Emirates REIT acquired the European Business Center in Dubai Investments Park. The building is arranged over ground + 3 floors. More details on the acquisition of this property can be found in the "New Aquisition" section of this Annual Report.

More details on each property can be found on our website.

EDUCATION

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

All education providers have signed long-term triple-net lease contracts with Emirates REIT, allowing the school operators to have full control of their premises as well as the responsibility for the maintenance and insurance of the building.

The Education portfolio provides long-term and stable income to the REIT, establishing a solid base for the distribution of stable dividends.

VALUATION
25%
SHARE OF PORTFOLIO

NLA
39%
SHARE OF PORTFOLIO

INCOME
26%
SHARE OF PORTFOLIO

Year ended 31 December	**2017**	**2016**
Market Value	USD 215 million *(AED 789.7 million)*	USD 175.2 million *(AED 643.0 million)*
Passing Income	USD 15.8 million *(AED 57.9 million)*	USD 14.5 million *(AED 53.3 million)*
Net Leasable Area	80,271 m^2	80,658 m^2

Emirates REIT has successfully capitalised on Equitativa know-how in the educational real estate sector, with currently three operating assets and an established track record and business model.

Both GEMS and JAS are fully operational since 2014 and 2016 respectively.

The construction of BCCS phase 1 was completed on time and the school opened its doors at the beginning of the school year 2017-18.

BCCS is the first to offer a Canadian curriculum in Dubai and is set to accommodate 1,500 students at full capacity. Phase 2 will feature a separate building for secondary school classes as well as a sports complex which will open in September 2018.

The market value of this portfolio has increased by 22.7%. As Dubai's education market continues to mature, the demand for prime education facilities and school operators is still expected to remain strong. Equitativa continues to evaluate more opportunities in this sector.

RETAIL PORTFOLIO

The retail component of the REIT's portolio comprises Trident Grand Mall and Index Mall.

Both malls are located adjacent to large residential or mixed use towers and are planned to cater mainly to the neighbouring community. The Malls have seen significant operational changes during 2017 and are planned to start showing further potential in 2018.

VALUATION

08%

SHARE OF PORTFOLIO

NLA

07%

SHARE OF PORTFOLIO

INCOME

04%

SHARE OF PORTFOLIO

Year ended 31 December	**2017**	**2016**
Market Value	USD 66.6 million *(AED 244.7 million)*	USD 67.3 million *(AED 247.2 million)*
Passing Income	USD 2.2 million *(AED 8.2 million)*	USD 3.0 million *(AED 10.9 million)*
Net Leasable Area	14,244 m^2	14,244 m^2

During 2017, the restructuring of Trident Grand Mall has continued, resulting in a temporary decrease in passing income in 2017 compared to 2016.

Choithrams supermarket started operating in February 2018 and is expecting to drive additional foot-fall and exposure of the mall.

Index Mall has been under fit-out since mid 2017 and is planned to start operations in Q2 2018. Equitativa has actively marketed the property, resulting in pre-leased units that are planned to undergo fit-out simultaneously to the fit-out of the common areas. As a result, an increase in occupancy and income is expected in 2018.

The shopping experience will feature new concepts, independent operators and international retailers.

NEW ACQUISITION

EUROPEAN BUSINESS CENTER

Prime location in Dubai Investments Park

The Investment Board reviewed and unanimously approved the acquisition of the European Business Center for a total of AED130 m (USD35.4 m).

Located in one of the region's premier investment hubs, this prime commercial asset is a mixed-use development arranged over ground+3 floors and a net leasable area of 273,164 sq.ft. Showing a current occupancy of 92.1% and a passing income of AED 19.6m, EBC has significantly enhanced the REIT's cash flow. Over the long term, this will benefit from strong capital appreciation, furthered by the completion of the adjacent metro station which is part of the EXPO 2020 Dubai Metro expansion plan.

The strategic position between Jebel Ali Port & Freezone and Dubai World Central Airport makes it an ideal location for companies willing to set up their operations in a prominent business community.

EBC comprises 96 tenants including Stantec International Inc., UBC Businessmen Service and the German Emirati Business Centre.

The European Business Center brings together technology and tailor-made operational solutions to support tenants' productivity and growth.

The acquisition was completed in August 2017.

GOVERNANCE

EQUITATIVA'S REPORT

The Directors present their report for the year endend 31 December 2017.

SHARE CAPITAL

Emirates REIT (CEIC) Limited, the "REIT" or "Emirates REIT", is a closed-ended Shari'a compliant investment company incorporated in DIFC, registered by the DFSA as a Domestic Public Fund with license number C000012. It operates under the laws and regulations of the DIFC and DFSA, and in accordance with the principles of Shari'a.

At 31 December 2017, the Company's issued share capital comprised a total of 299,620,541 ordinary shares of USD 1.05 each.

The REIT has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regards to control of the company. There are no restrictions on the size of a holding.

REIT MANAGER

Emirates REIT is managed by Equitativa (Dubai) Limited ("Equitativa", the "REIT Manager"), a limited company incorporated in DIFC and regulated by the DFSA since 2010.

Equitativa is part of a group of companies that specializes in creating and managing innovative financial products in Emerging Markets.

INVESTMENT OBJECTIVE

Emirates REIT's key investment objective is to generate stable Shari'a compliant dividend distributions to shareholders, long-term rental growth and capital appreciation.

INVESTMENT POLICY

The type of investments which can be undertaken by the REIT currently include investments in real property, property related assets, shares or units in another property fund and up to a maximum of 40% in cash, government or public securities.

The REIT has in place a strict process for any acquisition or disposal of assets, including but not limited to the consent of the Investment Board and the Shari'a Supervisory Board. In case of a Related Party Transaction, the Oversight Board will also provide its consent.

SPECIAL DECREES

In February 2013, the REIT was granted a Ruler's Decree which allowed the REIT to invest, through its onshore Dubai Branch, in properties in onshore Dubai. In October 2016, the Equitativa group was granted an Emiri Decree by the Ruler of the Emirate of Ras Al Khaimah, allowing any REIT managed by the group to invest in properties onshore in Ras Al Khaimah.

MANAGEMENT STRATEGY

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

Disciplined Acquisition Strategy

The REIT will continue to pursue acquisitions with the aim of improving income stability and overall returns. Since the incorporation of the REIT, Equitativa's team has evaluated over 800 investment opportunities thereby ensuring their knowledge of the market is comprehensive and allows timely reactions to changes in market conditions.

Active Asset Management Strategy

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

Equitativa applies the following key operating and management principles:

- Monitor the performance of the properties
- Optimise the net leasable area of the properties where possible
- Establishing close relationships and proactively manage leases
- Increase rental rates and property yields
- Enhance the overall operating efficiency of the Portfolio

RISK PROFILE

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

The Portfolio has a relatively low and well balanced risk profile benefiting from diversification across asset classes and long-term leases with a weighted average lease term of 8 years as at 31 December 2017. Notably, only 18% of the leases are expiring in the next three years (6% only within one year).

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

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

These factors may have a material adverse effect on the REIT's financial condition, business, prospects and results of operations. The REIT will operate within the parameters defined by its Boards and as guided by the Shareholders, at all times conforming to the investment policy.

RISK MANAGEMENT STRATEGY

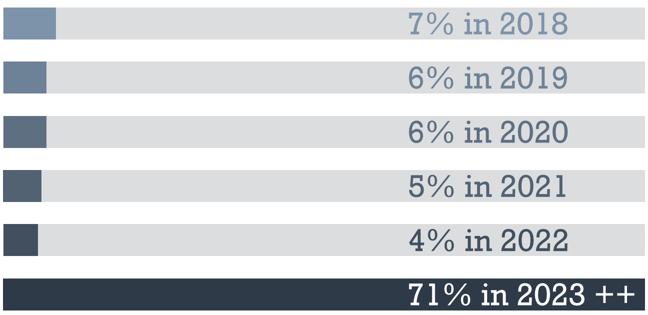
The key pillars for the Capital and Risk Management Strategy include:

- managing the risks associated with the properties by balancing the Portfolio and focusing on acquiring properties of best fit with attractive lease terms and strong covenants
- using Shari'a compliant debt financing as an attempt to provide additional capital, improving Shareholder returns over the long term (where such Shari'a debt financing is appropriate) and ensuring that the gearing does not exceed 50% of the Gross Asset Value
- continually revisiting lines of credit and assessing a variety of possible financing structures
- actively considering opportunities to raise funds through various means, including but not limited to, the issue of new Shares

PORTFOLIO RISK

The portfolio has a well-balanced risk profile. Asset classes are diversified and leased over long periods.

As of 31 December 2017, the weighted average lease expiry is 8.0 years, with 19% of the leases expiring within the next three years and 7% within the year.



SHAREHOLDING

The maximum limit of 49% of non-GCC ownership is monitored both Equitativa and Nasdaq Dubai. Public notification via the regulatory announcement platform will be made if the non-GCC shareholding nears 49%. At 31 December 2017, the non-GCC shareholding was just under 30%.

As at 31 December 2017, the following shareholders held 5% or more of the REIT's issued share capital:

	Issued Share Capital (%)
Dubai Islamic Bank PJSC	15.70%
Vintage Bullion	11.70%
Dubai Properties Group LLC	9.90%

RELATED PARTIES

At the 2017 AGM, the shareholders authorised the REIT (and Equitativa on behalf of the REIT) to enter into transactions with Related Parties, pursuant to the DFSA CIR Rules.

At the Extraordinary General Meeting in November 2017, the Shareholders further approved entering into Related Party Transactions in respect of the issuance of Sukuk certificates in accordance with DFSA CIR Rule 8.3.2.

2017 EVENTS

Amendment to articles

In the 2017 AGM, the Shareholders approved the updating of the Articles of Association to reflect the change of name of the REIT Manager to Equitativa (Dubai) Limited, change of registered address and delegation of the activity of appointing the Shari'a Supervisory Board to the Board of the Equitativa.

Results and Dividends

The Results for the year ended 31 December 2017 are stated in the Consolidated Statement of Comprehensive Income.

An interim dividend relating to 2017 of USD 0.04 per ordinary share was paid in January 2018.

The Directors will recommend a final dividend in respect of the year ended 31 December 2017 with the announcement of the 2018 Annual General Meeting. If authorised at the 2018 AGM, the dividend will be paid on or before 30 June 2018.

Management Change

Mr. Fardan Ali Al Fardan resigned from the Oversight Board in order to join Equitativa.

Mr. Remi Ishak joined in April 2017 as Group Chief Financial Officer, replacing Mr. Abdul Wahab Al Halabi, who was previously serving as interim CFO.

Mr Al Halabi remains Group Chief Investment Officer.

Auditors

PricewaterhouseCoopers (Limited) were reappointed as auditor at the 2017 AGM, until closing of the 2018 AGM.

Purchase of own shares

At the 2017 AGM, the REIT was allowed to extend the authority to make one or more market purchases of its own shares in accordance with the rules and conditions of the DFSA and Nasdaq Dubai.

This authority will expire at the conclusion of the 2018 AGM and a resolution will be proposed to seek further authority until the closure of the next AGM.

No ordinary shares were purchased under this authority during 2017 or to date.

Sukuk Issuance

During the Extraordinary General Meeting on 23 November 2017, the shareholders approved and authorised the issuance of Sukuk trust certificates through a special purpose vehicle domiciled in the Cayman Islands.

The Sukuk consisted of a hybrid Wakala and Commodity Murabaha structure which was approved by the Sharia Supervisory Board and the Shareholders.

The REIT was given a rating of BB+ Stable by Fitch and the issuance was for a USD 400 Million, 5 year Sukuk with a profit rate of 5.125% per annum, which listed on the Irish Stock Exchange in December 2017.

2018 ANNUAL GENERAL MEETING

The 2018 AGM will be held in June 2018 and will be called with not less than 21 days' notice. The resolutions proposed for approval will be set out in the Notice of Meeting, together with explanatory notes.

CORPORATE GOVERNANCE

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

MANAGEMENT BOARD

The Management Board is responsible for guiding the REIT in its day to day operations and expanding and optimising the REIT's Portfolio.

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

INVESTMENT BOARD

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

It is comprised of Mr. Marwan Bin Ghulaita, Mr. David Savy and Mr. Abdulla Al Hashemi who were all re-appointed for another year at the 2017 AGM.

OVERSIGHT BOARD

The Oversight Board is responsible for reviewing and advising the Management Board on Equitativa's internal systems and controls, fund properties' safe keeping, risk management and compliance with the Laws, Rules and Constitution of the REIT.

On 1 January 2017, the Oversight Board comprised of Mr. Suresh Kumar, Mr. Fahad Kazim and Mr. Fardan Ali Al Fardan. In July 2017, Mr. Fardan Ali Al Fardan joined Equitativa and therefore resigned from his position as a member of the Oversight Board. Mr. Mustafa Al Hashimi was subsequently appointed to the Oversight Board.

ADVISORY BOARD

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

The advisory board members are Mr. Khalid Al Malik, Mr. Michael Wunderbaldinger and Mr. Kunal Bansal.

SHARI'A BOARD

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

It is comprised of Dr. Mohamed Abdul Hakim Zoeir, Mr. Mian Muhammad Nazir and Mr. Fazal Rahim Abdul Rahim who were all re-appointed at the 2017 AGM.

OVERSIGHT REPORT

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

FINANCIAL ACTIVITIES

The Board reviewed the key financial information published during the year 2017, including the half-year financial statements, the quarterly factsheets and the 2017 Annual Financial Statements.

The Board was satisfied that the Annual Financial Statements of the REIT were fair, balanced and understandable providing the necessary information for shareholders to assess the REIT's performance, business model, and strategy.

The Board considered the appropriateness of the activities of the REIT. The significant areas considered are set as below:

Type of Investment

The REIT currently owns investments that are consistent with its constitution and license. The REIT stayed compliant with its maximum limit of 40% of cash, government or public securities throughout the year and as at 31 December 2017, the REIT does not own any government or public securities.

Valuation of Investment Properties

The valuation opinion is provided by independent external valuers and is one of the critical components of the half-year and annual financial results. The Board discussed the market conditions with Equitativa.

The Board requested an internal audit of the valuations, which was conducted during the first quarter 2017. The audit concluded that all valuation reports complied with all the regulatory requirements, including confirmation that the valution reports:

- include all material details in relation to the basis of valuation and the assumtions used,

- describe and explain the valuation methodologies adopted,

- outline the overall structure and condition of the relevant market including an analysis of the supply and demand situation, the market trend and investment activities,

- include a brief description of the properties, any encumbrances concerning or affecting the property, the weighted average lease expiry, the value of the properties at the date of the report, the net monthly income from the properties and any other matters which may affect the properties or their values,

- confirm the professional status of the valuers, and that the valuation reports are prepared in a fair and unbiased basis, and

- explain the rationale for choosing the particular valuation method if more than one method is applicable.

Borrowing Limit

As at 31 December 2017, the Gross Asset Value ("GAV") of the REIT was USD 860 million (AED 3.2 billion). The Board noted that the REIT's total outstanding borrowings amounted to USD 397 million (AED 1.5 billion), representing 42% of the GAV, which is in compliance with the requisite limit of borrowing.

New Investments

The Board reviewed the acquisition of the European Business Center in Dubai Investments Park. There were no Related Parties involved in this transaction, and this acquisition was consistent with the investment objectives and policy of the REIT. For more information on the European Business Center, please refer to the Portfolio section.

Net Asset Value

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

RISK REVIEW PROCESS

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

DIVIDENDS

During the calendar year 2017, the REIT distributed both an interim and final dividend relating to the financial year 2016, equating to a total payment of USD 24 million (USD 0.08 per share).

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

As a post period event, the REIT distributed an interim dividend payment relating to the financial year 2017 of USD 12 million (USD 0.04 per share), in January 2018.

SUKUK

On 23 November 2017, Emirates REIT Shareholders approved the proposal to issue sukuk trust certificates.

Following this approval, the REIT successfully closed, on 5 December 2017, a USD 400 million 5-year Sukuk (AED 1.5 billion) with a profit rate of 5.125% per annum, and became the first REIT from the MENA region to access the international Sukuk market and obtain a credit rating.

The Sukuk was 2.5 times oversubscribed by 90 investors and saw a strong participation by international investors representing 51% of the certificates compared to 49% of UAE accounts.

CREDIT RATING

For the first time since incorporation, Emirates REIT went through a credit rating process and was awarded the rating of BB+ Stable by Fitch.

RELATED PARTY TRANSACTIONS

It should be noted that Related Parties are defined differently by the DFSA and the IFRS. To review the related parties disclosures, as defined by IFRS, please refer to our Financial Statements.

The Board monitored Related Party Transactions, as per DFSA CIR 8.3.2 rule.

All Related Party Transactions were based on existing approved contracts/lease agreements or as part of the Sukuk transaction.

The total value of all the Related Party Transactions was USD 15,100,038.

The nature and identities of the Related Parties, with whom these transactions were undertaken, are shown below:

Related Party	Transaction
REIT Manager	Management & Performance Fee
REIT Manager	Rental & Service Income
Dubai Islamic Bank	Rental & Service Charges & Sukuk Fees
Dar Al Sharia Consultancy	Professional & Sukuk Fees
Oversight Board	Professional Fees

MISCELLANEOUS

During 2017, there was no sale, issue or cancellation of REIT shares and Equitativa did not initiate any share buy-back scheme.

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

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

SHARI'A COMPLIANCE CERTIFICATE

Issued by the Shari'a Supervisory Board of Emirates Reit (CEIC) Limited (The "REIT") as at 31st Dec 2017

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 Ten 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 Limited (the "Dar Al Shari'a") on the REIT for the period commencing from 1 July 2017 and ending on 31 December 2017 prepared in accordance with the DFSA Islamic Finance Rules (IFR) 6.4.1. (1) and (2) (the "Shari'a Review Report").

SUPERVISORY BOARD

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

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

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

PRONOUNCEMENT BY SHARI'A SUPERVISORY BOARD

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

a) The Activities and Transactions executed by the REIT during the period commencing from 1 July 2017 and ending on 31 December 2017 (as reviewed by Dar Al Shari'a pursuant to the Shari'a Review Report) were carried out in accordance with the rules and principles of Shari'a.

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

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

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

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

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

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

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

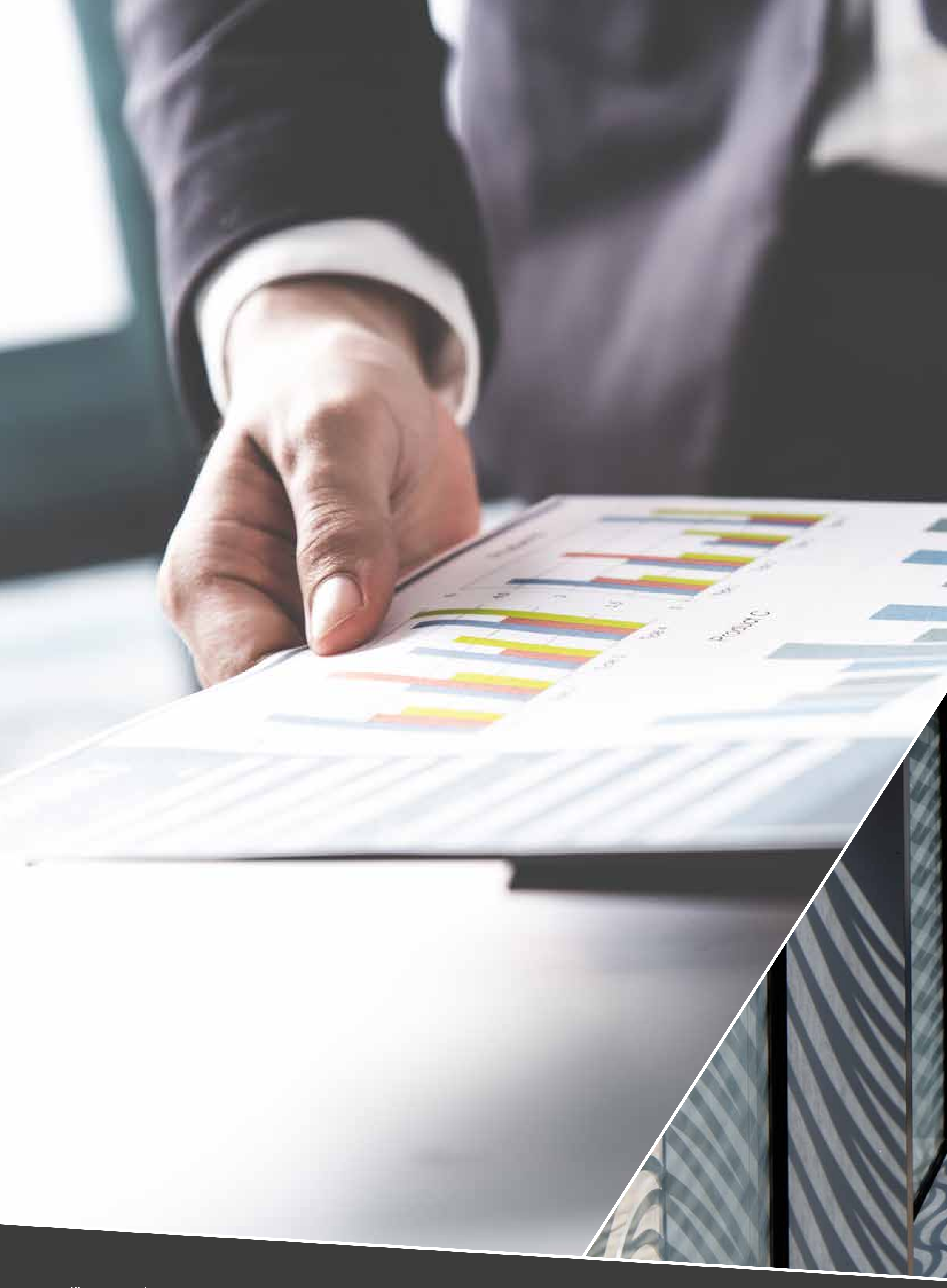
Note:
For Shari'a Compliance Certificate relative to the period starting 1 January 2017 and ending 30 June 2017, please refer to our H1 2017 Report.

MARKET PRICE PERFORMANCE

	Highest	Lowest	As at 31 December
2017	USD 1.19	USD 0.94	USD 1.05
2016	USD 1.24	USD 1.09	USD 1.15
2015	USD 1.30	USD 1.09	USD 1.26
2014	USD 1.49	USD 1.20	USD 1.30

DIVIDEND DISTRIBUTION

	Per Unit	Date	Total Distributed
2017			
Final	TBC	TBC	TBC
Interim	USD 0.04	31.01.2018	USD 11,984,821
Total	**TBC**		**TBC**
2016			
Final	USD 0.04	30.06.2017	USD 11,984,821
Interim	USD 0.04	31.01.2017	USD 11,984,821
Total	**USD 0.08**		**USD 23,969,642**
2015			
Final	USD 0.04	30.06.2016	USD 11,984,821
Interim	USD 0.04	31.01.2016	USD 11,984,821
Total	**USD 0.08**		**USD 23,969,642**
2014			
Final	USD 0.04	30.06.2015	USD 11,984,821
Interim	USD 0.04	31.01.2015	USD 11,984,821
Total	**USD 0.08**		**USD 23,969,642**
2013			
Final	USD 0.05	30.06.2014	USD 14,981,027
Total	**USD 0.05**		**USD 14,981,027**



FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Emirates REIT (CEIC) Limited (the "REIT") and its subsidiary (together, the "Group") as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Independence

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

OUR AUDIT APPROACH

OVERVIEW

Key audit matter: Fair valuation of investment property

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

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

KEY AUDIT MATTER

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

FAIR VALUE OF INVESTMENT PROPERTY (refer to Note 5)

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

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

As at 31 December 2017, the combined fair value of the Group's investment properties was estimated to be USD 860 million (31 December 2016: USD 753 million) making it the most significant asset on the balance sheet. A revaluation gain for the year ended 31 December 2017 was recognised in the consolidated statement of comprehensive income amounting to USD 38.0 million (31 December 2016: USD 36.5 million).

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

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

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

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained Equitativa (Dubai) Limited's (the "REIT Manager") calculations of investment properties' values based on external valuation reports and tested the accuracy of the posting of the related revaluation gain to the consolidated financial statements and performed the following:

- We reconciled the investment property value on the consolidated balance sheet to the external valuation report.
- We tested the accuracy of the total gain on investment properties by recalculating the difference in fair values of individual investment properties between 31 December 2016 and 31 December 2017.
- We involved our own, in-house property valuation experts to assess the methodologies used by the Group's external valuers and the appropriateness of the underlying assumptions by performing the following procedures:
  - Reviewed the methodology applied by the external valuers to ensure it is in line with the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards;
  - Assessed the reasonableness of assumed rents, comparable sales, stabilised occupancy rates and property operating expenses and compared them against market evidence and the properties' actual performance; and
  - Assessed the capitalisation rates and yields to ensure they are appropriate and in line with current market conditions.
- Evaluated the external valuers' independence, experience and reputation in the property valuation field; and
- We also focused on the adequacy of the Group's disclosures in Note 5 to the consolidated financial statements about those assumptions to which the outcome of the fair valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the Group's investment properties.

OTHER INFORMATION

The REIT Manager is responsible for the other information. The other information comprises the Annual Report which includes the REIT Manager's report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

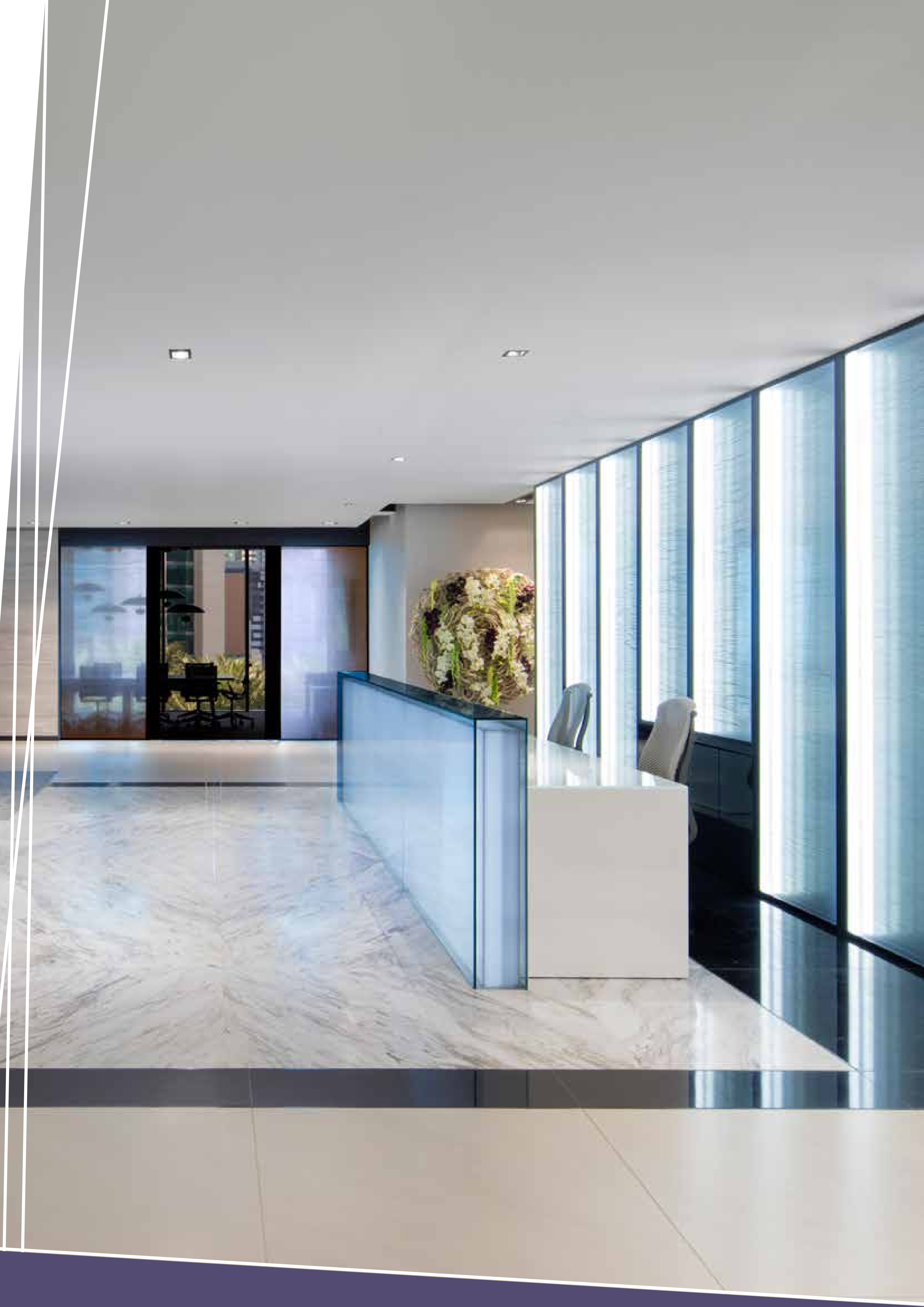
ii) the Group has maintained proper books of accounts and the consolidated financial statements are in agreement therewith;

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

iv) the financial information included in the report of the REIT manager is consistent with the consolidated financial statements of the Group.

PricewaterhouseCoopers
Dubai, United Arab Emirates

Audit Principal - Mohamed El Borno
18 February 2018



CONSOLIDATED BALANCE SHEET

The notes form an integral part of the consolidated financial statements.

	Note	2017	2016
		AS AT 31 DECEMBER	
		USD' 000	USD' 000
ASSETS			
Non-current asset			
Investment properties	5	859,573	752,703
Trade and other receivables	6	13,404	8,055
		872,977	760,758
Current assets			
Trade and other receivables	6	7,894	7,137
Cash and cash equivalents	7	67,861	64,573
		75,755	71,710
TOTAL ASSETS		948,732	832,468
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	299,621	299,621
Share premium	8	59,393	59,393
Retained earnings		162,634	134,405
Total equity		521,648	493,419
LIABILITIES			
Non-current liabilities			
Sukuk financing instrument	9	397,344	-
Islamic financing	10	-	284,830
		397,344	284,830
Current liabilities			
Islamic financing	10	-	28,819
Trade and other payables	11	29,740	25,400
		29,740	54,219
Total liabilities		427,084	339,049
TOTAL EQUITY AND LIABILITIES		948,732	832,468
Net asset value (USD)		521,647,513	493,418,917
Number of shares		299,620,541	299,620,541
Net asset value USD per share		1.74	1.65

These consolidated financial statements were approved by the Board of Directors of Equitativa (Dubai) Limited as the sole director of the REIT on 18 February 2018 and signed on their behalf by:

Sylvain Vieujot
Executive Deputy Chairman

Remi Ishak
Chief Financial Officer

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017	2016
FOR THE YEAR ENDED 31 DECEMBER			
		USD' 000	USD' 000
Rental income		53,964	45,342
Service fee income		6,439	5,049
Other property income		221	313
Total property income		60,624	50,704
Property operating expenses		(13,903)	(15,086)
Property operating income		46,721	35,618
Net unrealised gain on revaluation of investment property	5	38,038	36,476
Net property income		84,759	72,094
Expenses			
Management fee	14	(12,973)	(11,722)
Performance fee	14	(1,615)	(1,478)
Board fees		(338)	(295)
Other expenses		(1,322)	(1,522)
Operating profit		68,511	57,077
Finance costs	15	(16,478)	(9,322)
Finance income	15	165	67
Finance costs, net		(16,313)	(9,255)
Profit and total comprehensive income for the year		52,198	47,822
Earnings Per Share			
Basic and diluted earnings per share (USD)	16	0.17	0.16

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Retained earnings	Total
		USD' 000	USD' 000	USD' 000	USD' 000
Balance at 1 January 2016		299,621	59,393	110,552	469,566
Comprehensive income					
Profit for the year		-	-	47,822	47,822
Transactions with shareholders					
Cash dividends		-	-	(23,969)	(23,969)
Balance at 31 December 2016		299,621	59,393	134,405	493,419
Balance at 1 January 2017		299,621	59,393	134,405	493,419
Comprehensive income					
Profit for the year		-	-	52,198	52,198
Transactions with shareholders					
Cash dividends	13	-	-	(23,969)	(23,969)
Balance at 31 December 2017		299,621	59,393	162,634	521,648

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

The notes form an integral part of the consolidated financial statements.

	Note	2017	2016
		FOR THE YEAR ENDED 31 DECEMBER	
		USD' 000	USD' 000
Operating activities			
Profit for the year		52,198	47,822
Adjustments for			
Net unrealised gain on revaluation of investment property	5	(38,038)	(36,476)
Finance costs		16,478	9,322
Finance income		(165)	(67)
Provision for doubtful debts	6	75	228
Operating cash flows before changes in working capital		30,548	20,829
Changes in working capital			
Trade and other receivables		(6,181)	(11,038)
Trade and other payables		2,483	9,769
Net cash generated from operating activities		26,850	19,560
Investing activities			
Additions to investment property		(65,649)	(41,611)
Finance income received		165	67
Net cash used in investing activities		(65,484)	(41,544)
Financing activities			
Proceeds from sukuk financing instruments issued		397,344	-
Proceeds from Islamic financing received		72,556	80,053
Repayment of Islamic financing		(388,340)	(25,325)
Dividends paid to shareholders	13	(23,969)	(23,969)
Finance costs paid		(15,669)	(7,937)
Net cash generated from financing activities		41,922	22,822
Net increase in cash and cash equivalents		3,288	838
Cash and cash equivalents at the beginning of the year		64,573	63,735
Cash and cash equivalents at the end of the year	7	67,861	64,573

The notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

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

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

The REIT's activities include acquisition of properties which are rented out. The REIT receives rental revenues from the properties and distributes the income generated to shareholders through dividends.

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

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

Emirates REIT Sukuk Limited, a structured entity (the "SE"), is an exempted company with limited liability incorporated on 23 October 2017 under the laws of the Cayman Islands with registered number 328401 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.

Ownership of SE

The authorised share capital of the SE is USD 50,000 consisting of 50,000 ordinary shares of USD 1.00 each, of which 250 of the Trustee's shares have been fully-paid and issued. The SE's entire share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a share declaration of trust dated 21 November 2017 (the Share Declaration of Trust).

The consolidated financial statements for the year ended 31 December 2017 comprise the REIT and its SE (together referred to as "the Group"). Considering the purpose and design of the SE, the financial statements of the REIT consolidate the SE in accordance with IFRS 10.

These consolidated financial statements have been approved by the REIT Manager as the sole director of the REIT on 18 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a. Statement of compliance

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

b. Consolidated statement of income and consolidated cash flow statement

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

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

c. Preparation of the consolidated financial statements

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

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

2.1.1 Changes in accounting policies and disclosures

a. New standards, amendments and interpretations adopted by the Group

IAS 7, 'Statement of cash flow' (amendment) (effective from 1 January 2017).

The above amendment did not have a material impact on the consolidated financial statements in the prior or current periods and is not likely to have a material impact on any future periods.

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

b. New and amended standards issued but not effective for the financial year beginning 1 January 2017 and not early adopted:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

- IFRS 9, 'Financial instruments' (effective 1 January 2018); and
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018).

The above standards have been assessed by the REIT Manager and do not have a material impact on the Group's consolidated financial statements for the current period.

- IFRS 16, 'Leases' (effective from 1 January 2019).

The REIT Manager is currently assessing the impact of the above standard and intends to adopt it, if applicable, when it becomes effective. There are no other standards or IFRS IC interpretations that are not yet effective and that would be expected to have material impact on the Group.

2.2 Basis for consolidation

a. Subsidiaries

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

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

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

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

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

b. Transactions eliminated on consolidation

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

c. Changes in ownership interests in subsidiaries without change of control

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

2.3 Segment reporting

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

2.4 Foreign currency translation

a. Functional and presentation currency

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

b. Transactions and balances

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

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

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

2.5 Investment Property

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

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

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

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

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

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

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

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

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

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

2.6 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. Group as a lessee

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

b. Group as a lessor

Leases in which the Group do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Refer to Note 2.15 for accounting policy on recognition of rental income.

2.7 Financial assets

a. Classification

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

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

b. Recognition and measurement

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

c. Derecognition

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

d. Impairment of financial assets

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

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

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

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

2.8 Cash and cash equivalents

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

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

2.9 Rental and service income receivables

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

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

2.10 Share capital

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

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

2.11 Islamic financing

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

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

2.12 Sukuk financial instruments

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

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

2.13 Trade and other payables

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

2.14 Provisions

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

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group 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.

a. Rental income

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

b. Service fee income

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

2.16 Property expenses

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

2.17 Management fee

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

2.18 Performance fee

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

2.19 Finance income and costs

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

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

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

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

2.20 Earnings per share

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

2.21 Dividend distribution

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

2.22 Earnings prohibited by Shari'a

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

a. Profit rate risk

The Group's exposure to the risk of changes in market profit rates relates primarily to the REIT's Islamic financing facilities with floating rates. As at 31 December 2017, the Group did not have any Islamic financing facilities with floating rates.

b. Foreign currency risk

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

c. Credit risk

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

d. Fair value risk

As at 31 December 2017, the Group had sukuk financing instruments (Note 10). The fair value of the sukuk financial instrument is not materially different to their carrying amount, since the profit payable on the sukuk financing instrument is close to current market rates, and it was issued close to the year-end date.

e. Financial counterparties

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

Rating	Credit rating agency	2017	2016
		USD' 000	USD' 000
A+	Fitch	60,248	10,057
A-	Fitch	2,810	47,709
A1	Moody's	883	3,547
Baa1	Moody's	2,450	1,236
N/A*	N/A*	1,470	2,024
Total		67,861	64,573

*Not rated by Moody's or Fitch.

f. Tenants

The REIT Manager maintains the property portfolio under continual review to minimise tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition. New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease. Amounts receivable from a single customer at 31 December 2017 represented 19.8% (31 December 2016: 17.0%) of the total rental and service fee income receivable.

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

g. Liquidity risk

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

At 31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Sukuk financing instruments	-	-	400,000	-	400,000
Sukuk profit	-	20,500	82,000	-	102,500
Trade and other payables (excluding advances received)	4,493	8,786	-	-	13,279
Total undiscounted financial liabilities	4,493	29,286	482,000	-	515,779

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

h. Capital management

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

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

Capital comprises share capital, share premium and retained earnings and is measured at USD 521,648 as at 31 December 2017 (2016: USD 493,419 thousand).

The REIT is required by DFSA regulations to limit borrowings to a maximum of 50.0% of gross asset value. As of 31 December 2017, the borrowings as a percentage of gross asset value were 41.9% (2016: 37.8%).

3.2 Fair value measurement

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, receivables and certain other assets. Financial liabilities of the Group include sukuk financing instruments, Islamic financing facilities and accounts payable and certain other liabilities. The fair values of the financial assets and financial liabilities approximate their carrying values.

Assets measured at fair value

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

		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Date of valuation	USD' 000	USD' 000	USD' 000	USD' 000
Investment property	31 December 2017	-	159,875	687,950	847,825
Investment property	31 December 2016	-	158,571	591,996	750,567

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a. Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Group engaged independent valuation specialists who hold recognised and relevant professional qualifications and have relevant experience in the location and type of investment property held, to determine the fair values of investment property as at 31 December 2017. For income producing investment property, a valuation methodology based on the capitalisation rate method was used, as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings.

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

The fair value measurement is then reclassified from Level 2 to Level 3, when vacant investment property shifts to income producing investment property.

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

b. 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.

Going concern

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

5 INVESTMENT PROPERTY

	Completed properties	Properties under construction	Total
	USD'000	USD' 000	USD' 000
At 1 January 2016	**670,066**	**3,161**	**673,227**
Acquisitions during the year	-	1,128	1,128
Transfer from properties under construction	32,741	(32,741)	-
Work in progress during the period	-	31,797	31,797
Ongoing fitout projects on completed properties	10,075	-	10,075
Net unrealised gain on revaluation of investment property	35,004	1,472	36,476
At 31 December 2016	**747,866**	**4,817**	**752,703**
Acquisitions during the year	37,001	-	37,001
Work in progress during the period	-	16,088	16,088
Ongoing fitout projects on completed properties	15,743	-	15,743
Net unrealised gain on revaluation of investment property	24,483	13,555	38,038
At 31 December 2017	**825,113**	**34,460**	**859,573**
Fair value reconciliation			
Market value per external valuation report as at 31 December 2017	**813,365**	**34,460**	**847,825**
Ongoing fitout projects on completed properties	19,945	-	19,945
Accrued income (Note 6)	(15,838)	-	(15,838)
Deferred income (Note 11)	7,641	-	7,641
Fair value as at 31 December 2017	**825,113**	**34,460**	**859,573**

Ongoing fitout projects include certain floors within an office building which are being furnished and fitted out.

As at the reporting date, the Group held total investment property amounting to USD 859,573 thousand (31 December 2016: USD 752,703 thousand) in a real estate portfolio of ten properties (2016: nine properties) located in Dubai, UAE.

Properties under land lease agreements

Four of the REIT's properties are constructed/under construction on plots in Dubai which are under land lease agreements as follows:

- Remaining lease term of 21.7 years with fair value of the property of USD 7,694 thousand;
- Remaining lease term of 38.9 years with fair value of the property of USD 89,235 thousand;
- Remaining lease term of 26.1 years renewable for another term of 30 years with fair value of the property of USD 34,460 thousand; and
- Remaining lease term of 12.4 years renewable for two additional terms of 30 years each with fair value of the property of USD 40,101 thousand.

British Columbian Canadian School

On 28 September 2016, the REIT acquired the leasehold interest in a 25,000 square meter plot of land and subsequently commenced construction of a school building on the plot. Simultaneously, the REIT entered into a lease agreement with BCCS for the lease of the school building for a period of 28 years. The fair value of this property amounted to USD 34,460 thousand. On 19 September 2017, a portion of the building structure was completed and certain grades opened for the academic year. The construction works on the remainder of the building structure was in progress as of 31 December 2017, including the common areas and the property continues to be classified as under construction or re-development. The property will be classified as completed property upon completion of the entire building structure.

European Business Center acquisition

On 22 August 2017, the REIT acquired a commercial office building with an aggregate leasable area of 25,392 square meters on a 12.4 year lease term renewable for two additional terms of 30 years each. As of 31 December 2017, the fair value of this property amounted to USD 40,101 thousand.

Fair valuation

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

As at 31 December 2017, the fair value of the investment property was adjusted for the accrued income (Note 6) and deferred income (Note 11) in accordance with IAS 40. The amount of adjustment is USD 8,197 thousand.

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

	2017	2016
	USD'000	USD' 000
Balance at the beginning of the year	591,996	509,541
Transfer from Level 2 to Level 3	20,915	44,851
Additions of new investment property during the year	37,001	1,128
Net unrealised gain on revaluation of investments properties	38,038	36,476
Balance at the end of the year	**687,950**	**591,996**

For investment property categorised under Level 3 fair value hierarchy, a valuation methodology based on the capitalisation rate method was used, as it represents a method of determining the value of the investment property by calculating the net present value of expected future earnings.

For investment property categorised under Level 2 fair value hierarchy, a valuation methodology based on the sales comparison method was used by comparing it with prices achieved from transactions in similar properties.

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

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

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

	2017	2016
Stabilised occupancy rate (%)	90 – 100	90 – 100
Equivalent yield (%)	8.00 – 9.50	8.00 – 9.00
Operating Expenses (USD/sq. ft.)	7.88 – 18.35	8.00 – 19.66

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 Nil (31 December 2016: USD 587,305 thousand) are mortgaged against Islamic financing facilities (Note 10).

6 TRADE AND OTHER RECEIVABLES

	2017 USD'000	2016 USD' 000
Rental and service income receivable	3,605	1,120
Less: Provision for doubtful debts	(487)	(412)
	3,118	708
Accrued income	15,838	10,247
Prepayments	1,294	3,333
Other receivables	1,048	904
	21,298	15,192
Less: non-current portion – accrued income	(13,404)	(8,055)
Current portion	7,894	7,137

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods and rent uplifts, over the expected terms of their respective leases in accordance with IAS 17. Together with USD 13,404 thousand, which was included as a non-current asset, these amounts totaled USD 15,838 as at 31 December 2017.

As at 31 December 2017, trade accounts receivable of USD 487 thousand (2016: USD 412 thousand) were impaired and fully provided for. The movement in the allowance for impairment of receivables is as follows:

	2017 USD'000	2016 USD' 000
Balance at the beginning of the year	412	184
Charge for the year	75	228
Balance at the end of the year	487	412

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

	Less than 30 days USD' 000	Between 30 to 60 days USD' 000	Between 60 to 90 days USD' 000	More than 90 days USD' 000	Total USD' 000
2017	62	73	100	2,883	3,118
2016	53	39	90	526	708

7 CASH AND CASH EQUIVALENTS

	2017	2016
	USD'000	USD' 000
Current and savings accounts	67,861	64,573

Balances with banks are placed with local Islamic banks.

8 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares	Premium shares	Total
		USD' 000	USD' 000	USD' 000
At 31 December 2017	299,620,541	299,621	59,393	359,014
At 31 December 2016	299,620,541	299,621	59,393	359,014

The authorised share capital of the REIT is USD 10,000,000,100 and is divided into one Manager Share with a par value of USD100; and 10,000,000,000 ordinary shares with a nominal par value of USD 1 per share.

9 SUKUK FINANCING INSTRUMENT

On 12 December 2017, the REIT issued five year trust certificates ("Sukuk") of USD 400 million through Emirates REIT Sukuk Limited (the "Trustee" or "SE"), a structured entity formed for the issuance of the Sukuk. The Sukuk were listed on the Main Securities Market (MSM) of the Irish Stock Exchange (ISE) with a Fitch rating of BB+ Stable. The Sukuk have a maturity date of December 2022 and pay a profit rate of 5.125% per annum payable semi-annually on 12 June and 12 December in each year, commencing on 12 June 2018.

The Shari'a terms of the issuance include transfer of certain identified investment properties (the "Properties") to the SE in order to comply with the principles of Shari'a. In substance, these Properties shall continue to remain under the control of the REIT and shall continue to be serviced by the REIT.

The Sukuk are recorded at USD 397,344 thousand net of transaction costs of USD 2,656 thousand.

10 ISLAMIC FINANCING

Ijarah facilities	Within 1 year	Between 1 and 5 years	More than 5 years	Total
		USD' 000	USD' 000	USD' 000
At 31 December 2017	-	-	-	-
At 31 December 2016	28,819	162,360	122,470	313,649

The Islamic financing facilities were obtained by the REIT to finance the acquisitions of investment property. During December 2017, the REIT repaid its Islamic financing by issuing a sukuk financing instrument (Note 9).

Movement for the year ended 31 December is as follows:	2017	2016
	USD'000	USD' 000
Balance at the beginning of the year	313,649	258,921
Islamic financing received during the year	72,556	80,053
Islamic financing repaid during the year	(386,205)	(25,325)
Balance at the end of the year	-	313,649

11 TRADE AND OTHER PAYABLES

	2017	2016
	USD'000	USD' 000
Payable against investment property under construction and fitout projects	8,786	5,603
Deferred income	7,641	9,003
Tenant deposits payable	6,168	4,841
Accrued expenses	2,585	1,777
Service fee received in advance	1,627	1,041
Performance fee payable	1,615	1,479
Accrued profit expense	1,025	1,326
Management fee	261	287
Administration fee	32	31
Other payables	-	12
	29,740	25,400

Included in the above accounts are balances due to related parties amounting to USD 1,876 thousand (2016: USD 1,766 thousand) (Note 14).

12 ZAKAT

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

13 DIVIDENDS

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

In June 2017, the REIT paid a final dividend in respect of the year ended 31 December 2016 of USD 0.04 per ordinary share amounting to a total final dividend of USD 11,984,821 to shareholders on the register as at 8 June 2017.

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

Equitativa (Dubai) Limited, a company limited by shares, is the REIT Manager of the REIT.

a. Related party transactions

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

	2017	2016
	USD’000	USD' 000
Equitativa (Dubai) Limited		
Management fee	(12,973)	(11,722)
Performance fee	(1,615)	(1,478)
Rental and service income	4	141
	(14,584)	(13,059)

b. Due to related parties comprises:

	2017	2016
	USD'000	USD' 000
Equitativa (Dubai) Limited	1,876	1,766

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

The Performance fee is payable to the REIT Manager annually in arrears, at a rate of 3% of the increase in net asset value per share by reference to the highest net asset value per share previously used in calculating the fee.

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 2017, the REIT has not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with key management personnel

During the years ended 31 December 2017 and 31 December 2016, the role of the key management personnel in accordance with IAS 24 was performed by the REIT Manager, for which the REIT Manager receives remuneration in the form of a management fee and performance fee.

15 FINANCE COSTS

	2017	2016
	USD'000	USD' 000
Ijarah Islamic financing profit expense	(11,043)	(8,970)
Ijarah processing fee	(2,629)	(352)
Ijarah financing repayment associated cost	(1,719)	-
Sukuk profit expense	(1,025)	-
Sukuk issuance amortised expenses	(62)	
Finance costs	**(16,478)**	**(9,322)**
Profit income on saving accounts	165	67
Finance income	**165**	**67**
Finance costs, net	**(16,313)**	**(9,255)**

16 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.

	2017	2016
	USD'000	USD' 000
Profit attributable to ordinary shareholders	52,198	47,822
	# of Shares	# of Shares
Weighted average number of ordinary shares for basic EPS	299,620,541	299,620,541
	USD	USD
Basic and diluted earnings per share	0.17	0.16

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

17 COMMITMENTS AND CONTINGENCIES

a. Commitments

At 31 December 2017, the REIT had contractual capital commitments of USD 19,600 thousand (2016: USD 20,134 thousand), out of which USD 7,007 thousand pertains to the construction of British Columbia Canadian School and USD 12,593 thousand in relation to fit out and redevelopment work at Index Tower Office and Retail (2016: USD 18,960 thousand pertains to the construction of British Columbia Canadian School and USD 1,174 thousand in relation to fit out and redevelopment work at Index Tower Office and Retail).

b. Contingencies

At 31 December 2017, the REIT had no contingent liabilities (2016: Nil).

c. Operating lease commitments — Group as lessee

The Group has entered into commercial property leases on certain properties. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	2017	2016
	USD '000	USD' 000
Within one year	1,931	1,251
After one year but not more than five years	7,691	5,005
More than five years	27,069	25,652
	36,691	31,908

d. Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on certain properties. Future minimum rentals receivables under non-cancellable operating leases as at 31 December 2017 and 2016 are as follows:

	2017	2016
	USD '000	USD' 000
Within one year	47,769	39,948
After one year but not more than five years	131,355	106,210
More than five years	486,323	495,262
	665,447	641,420

18 SUBSEQUENT EVENTS

In January 2018, the REIT paid an interim dividend in respect of the year ended 31 December 2017 of USD 0.04 per ordinary share amounting to a total interim dividend of USD 11,984,821 to shareholders on the register as at 22 January 2018.

OUR DETAILS

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