

ENBD REIT (CEIC) PLC AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2019

ENBD REIT (CEIC) PLC and its subsidiaries

Contents	Page number
Management and Administration	2
Directors' Report	3 – 4
Independent Auditors' Report on review of Condensed Consolidated Interim Financial Information	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Information	10 - 20

ENBD REIT (CEIC) PLC and its subsidiaries

Management and Administration

Directors of ENBD REIT (CEIC) PLC	Tariq Bin Hendi Mark Creasey Khalid AlFaheem Ali AlMazroei	Independent Auditor	Deloitte & Touch (M.E.) Building 3, Level 6, Emaar Square, Downtown Dubai, P.O. Box 4254, United Arab Emirates
Registered Office	8th Floor East Wing DIFC – The Gate Building PO Box 506578 Dubai United Arab Emirates	Administrator and Company Secretary	Apex Fund Services (Dubai) Ltd. Office 101, Level 1, Gate Village, Building 5, DIFC PO Box 506534 Dubai United Arab Emirates
Fund Manager	Emirates NBD Asset Management Limited 8th Floor East Wing DIFC – The Gate Building PO Box 506578 Dubai United Arab Emirates	Custodian	Apex Fund Services (Guernsey) Limited 1 st Floor Tudor House Le Bordage, St. Peter Port Guernsey GY1 1DB
Shari’a Supervisory Board	Fatwa and Shari’a Supervision Board Amanie Advisors LLC Dr. Mohamed Ali Elgari Dr. Mohd Daud Bakar Dr. Muhammad Amin Ali Al-Qattan Dr. Osama Al Dereai		

ENBD REIT (CEIC) PLC and its subsidiaries

Directors' Report

Incorporation

ENBD REIT (CEIC) PLC – a DIFC Company with Registration Number 2209 (the “Company” or “ENBD REIT”) was incorporated on 18 July 2016. ENBD REIT and its subsidiaries and Special Purpose Vehicle (SPVs) are collectively referred to as the “Group”.

ENBD REIT was incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2009 and has been renamed to ENBD REIT (CEIC) PLC from ENBD REIT (CEIC) Limited due to the introduction of the new DIFC Companies Law, DIFC Law No. 5 of 2018.

Structure

On 23 March 2017, the shares of ENBD REIT were admitted to the Dubai Financial Services Authority (“DFSA”) list of shares to trade on Nasdaq Dubai after the Initial Public Offering (the “IPO”).

Investment policy and objectives

The purpose of the Group is to provide investors with a professionally managed means of participating in the United Arab Emirates (“UAE”) real estate market. The primary investment objective of the Group is to achieve regular rental income and long-term capital growth from a diversified portfolio of commercial, residential and alternative properties. Investment decisions under the supervision of the Directors of the Group will be made on behalf of the Group by the Fund Manager, and will reflect the medium to long-term objective to maximise total return made up of rental income and capital appreciation.

The Group shall have the capacity to seek finance in a manner compliant with Islamic Shari’a law to aid further property acquisitions from time to time with an aim to further increase shareholders’ returns. The Group may invest in properties via offshore special purpose vehicles (“SPVs”). A single SPV may be used to hold each separate property, and any finance sought for the property acquisitions will be either at the Group level or at the SPV level.

All investments of the Group will take place according to Shari’a guidelines, as defined by the Shari’a Supervisory Board of the Group. The Shari’a Supervisory Board will also periodically review that all implemented investment decisions of the Fund Manager remain within Shari’a guidelines.

Results and distributions

The results for the period are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 7. During the current period, a final dividend of \$0.0215 per share amounting to \$5,399,754 (4.0% of NAV) was declared and approved for the year ended 31 March 2019, and paid on 14 July 2019. Dividend has been determined based on the actual net rental return and funds from operations (“FFO”) generated during that period.

Reduction of Share Capital

ENBD REIT reduced its share capital by USD 84,521,056 subsequent to shareholders’ approval at a General Meeting held on 27th November 2018 and following the necessary regulatory approvals. It transferred from its share capital the amount of USD 69,843,561 to a distributable reserve account and USD 14,677,495 to a special reserve account following the requisite court order. The purpose of the distributable reserve is to enable ENBD REIT to maintain consistent dividend payments despite movements in capital values. The purpose of the special reserve account is for coverage of liabilities outstanding as at 31st December 2018, where the balance will move to the distributable reserve account as and when these liabilities are settled. As at 30th September 2019, ENBD REIT has settled USD 10,104,450 and the balance in the special reserve account stands at USD 4,573,045.

ENBD REIT (CEIC) PLC and its subsidiaries

Directors' Report (continued)

Share Buyback Programme

During the period, ENBD REIT completed its share buyback programme of 4,401,340 shares. Shuaa Securities LLC (previously Integrated Securities LLC) were appointed as independent broker to execute the programme on behalf of ENBD REIT, with the programme aimed to add value to shareholder's holding equity at the discounted share price level. The initiative aimed to positively impact the liquidity of ENBD REIT's stock, in a market affected by limited trading volumes, while offering a level of protection to shareholders from disproportionate price movements.

Islamic Financing

During the period, ENBD REIT signed a Commodity Murabaha facility of USD 176,967,057 (equivalent to AED 650,000,000) on 30 June 2019 with Mashreq Bank which is secured against selected investment properties. The profit margin is 2.65% above the quarterly EIBOR, payable in arrears. The facility term is 12 years where first 4 years is profit only and principal repayment will start from year 5.

ENBD REIT also repaid its entire Mudaraba facility with Emirates NBD Bank of USD 134,494,963 equivalent to AED 494,000,000 along with any profit outstanding on the facility as on the repayment date.

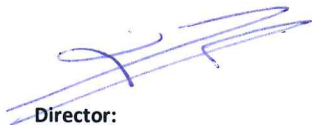
Property valuations

The values of the properties that form the bulk of the assets in the Group are determined regularly by CB Richard Ellis and Cavendish Maxwell, independent experts in real estate valuations. The Directors express comfort in the level of expertise applied to the valuation process which requires significant accounting estimates and judgements (refer note 2(d) of the condensed consolidated interim financial information).

Declaration

The Directors have analysed the Group's ability to continue as a going concern and have not identified a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Therefore, they have prepared the consolidated financial statements of the Group for the six month period ended 30 September 2019 on a going concern basis.

Signed on behalf of the Board



Director:

Date: 26 November 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Shareholders
ENBD REIT (CEIC) PLC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **ENBD REIT (CEIC) PLC and its subsidiaries** (together referred to as “the Group”) as at 30 September 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

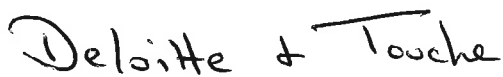
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34, “Interim Financial Reporting”.

Other matter

The Group’s consolidated financial statements as at 31 March 2019 were audited by another auditor whose report dated 28 May 2019 expressed an unmodified opinion thereon. The prior period comparative interim financial information for the six-months period ended 30 September 2018, was reviewed by another auditor who issued an unmodified conclusion dated 19 November 2018.

Deloitte & Touche (M.E.)



Malcolm Coates
26 November 2019
Dubai
United Arab Emirates

ENBD REIT (CEIC) PLC and its subsidiaries

Condensed consolidated statement of financial position As at 30 September 2019

	Note	30 Sep 19 USD (Unaudited)	31 Mar 19 USD (Audited)
Assets			
Non-current assets			
Investment properties	3	447,857,274	447,434,883
Total non-current assets		<u>447,857,274</u>	<u>447,434,883</u>
Current assets			
Trade and other receivables	4	6,695,077	6,574,135
Prepaid expenses	5	194,343	239,068
Cash and cash equivalents	6	10,913,877	15,754,585
Total current assets		<u>17,803,297</u>	<u>22,567,788</u>
Total assets		<u><u>465,660,571</u></u>	<u><u>470,002,671</u></u>
Liabilities			
Current liabilities			
Trade and other payables	7	12,403,629	15,207,446
Payable for investments	9	1,361,285	2,153,945
Lease liabilities	2	699,101	-
Finance cost payable on islamic financing		686,333	1,262,184
Total current liabilities		<u>15,150,348</u>	<u>18,623,575</u>
Non-current liabilities			
Islamic finance payable	8	179,175,015	178,564,658
Trade and other payables	7	2,652,958	2,747,562
Lease liabilities	2	14,650,890	-
Total liabilities		<u>211,629,211</u>	<u>199,935,795</u>
Equity			
Share capital	10 (a)	200,000,000	200,921,072
Capital redemption reserve	10 (d)	962,458	660,037
Distributable reserve	10 (b)	57,948,011	54,351,904
Special reserve	10 (c)	4,573,045	8,169,152
Retained earnings		(9,452,154)	5,964,711
Total equity		<u>254,031,360</u>	<u>270,066,876</u>
Total equity and liabilities		<u><u>465,660,571</u></u>	<u><u>470,002,671</u></u>

This condensed consolidated interim financial statements were approved and authorised for issue by the Directors on 26 November 2019 and signed on behalf of the Board by:

Director

Date: 26/NOV/19

Director

The accompanying notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

The independent auditor's report on the review of the condensed consolidated interim financial information is set out on page 5.

ENBD REIT (CEIC) PLC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income

For the six month period ended 30 September 2019

		30 September 2019 USD (Unaudited)	30 September 2018 USD (Unaudited)
Income			
Rental income		17,871,379	18,930,900
Property operating expenses	11	<u>(3,817,569)</u>	<u>(3,686,136)</u>
Property operating income		14,053,810	15,244,764
Other income		<u>1,361</u>	<u>-</u>
Total operating income		<u>14,055,171</u>	<u>15,244,764</u>
Expenses			
General and administrative expenses	12	(697,819)	(978,539)
Management fees	13	(2,148,349)	(2,179,551)
Property valuation fees		(68,200)	(50,640)
Allowance for impairment against trade receivables	4	<u>(183,158)</u>	<u>(47,258)</u>
Total fund expenses		<u>(3,097,526)</u>	<u>(3,255,988)</u>
Finance income / (cost)			
Profit on Islamic deposits		44,312	59,856
Lease liability financing costs		(85,618)	-
Islamic financing costs		<u>(5,929,439)</u>	<u>(5,091,430)</u>
Net finance cost		<u>(5,970,745)</u>	<u>(5,031,574)</u>
Profit before depreciation and loss on fair valuation of investment properties		4,986,900	6,957,202
Unrealised loss on fair valuation of investment properties, net		<u>(15,004,011)</u>	<u>(10,418,553)</u>
Loss for the period		<u>(10,017,111)</u>	<u>(3,461,351)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>(10,017,111)</u></u>	<u><u>(3,461,351)</u></u>
Loss per share			
Basic loss per share (USD)	17	<u>(0.04)</u>	<u>(0.01)</u>

The accompanying notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

The independent auditor's report on the review of the condensed consolidated interim financial information is set out on page 5.

ENBD REIT (CEIC) PLC and its subsidiaries

Condensed consolidated statement of changes in equity

For the six month period ended 30 September 2019

	Note	Share capital USD	Capital redemption reserve USD	Distributable reserve USD	Special reserve USD	Retained earnings / (accumulated losses) USD	Total USD
As at 1 April 2018 (audited)		296,768,094	-	-	-	3,464,454	300,232,548
Total comprehensive income for the period (unaudited)							
Loss for the period		-	-	-	-	(3,461,351)	(3,461,351)
Total comprehensive income for the period (unaudited)		-	-	-	-	(3,461,351)	(3,461,351)
Transactions with shareholders recorded directly in equity							
Dividend distribution	16	-	-	-	-	(3,281,777)	(3,281,777)
Return of capital	10	(8,725,966)	-	-	-	-	(8,725,966)
At 30 September 2018 (unaudited)		288,042,128	-	-	-	(3,278,674)	284,763,454
As at 1 April 2019 (audited)		200,921,072	660,037	54,351,904	8,169,152	5,964,711	270,066,876
Total comprehensive income for the period (unaudited)							
Loss for the period		-	-	-	-	(10,017,111)	(10,017,111)
Total comprehensive income for the period (unaudited)		-	-	-	-	(10,017,111)	(10,017,111)
Transactions with shareholders recorded directly in equity							
Dividend distribution	16	-	-	-	-	(5,399,754)	(5,399,754)
Transfer from Special Reserve	10	-	-	3,596,107	(3,596,107)	-	-
Share buy-back	10	(921,072)	302,421	-	-	-	(618,651)
At 30 September 2019 (unaudited)		200,000,000	962,458	57,948,011	4,573,045	(9,452,154)	254,031,360

The accompanying notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

The independent auditor's report on the review of the condensed consolidated interim financial information is set out on page 5.

ENBD REIT (CEIC) PLC and its subsidiaries

Condensed consolidated statement of cash flows

For the six month period ended 30 September 2019

	Note	2019 USD (Unaudited)	2018 USD (Unaudited)
Cash flows from operating activities			
Loss for the period		(10,017,111)	(3,461,351)
Adjustments for:			
Unrealised loss on investment properties, net		15,004,011	10,418,553
Profit on Islamic deposits		(44,312)	(59,856)
Finance cost on lease liabilities		85,618	-
Allowance for impairment against trade receivables	4	183,158	47,258
Islamic financing cost		5,929,439	4,930,135
		<u>11,140,803</u>	<u>11,874,739</u>
Changes in :			
Trade and other receivables		(3,191,297)	(568,820)
Prepaid expenses		44,725	215,335
Payable for investments		(792,659)	-
Trade and other payables		(11,226)	(2,451,435)
		<u>7,190,346</u>	<u>9,069,819</u>
Net cash flows generated from operating activities			
Cash flows from investing activities			
Acquisition of investment properties	3	-	(5,004,764)
Changes in Islamic deposits and receivables		-	(6,808,331)
Profit on Islamic deposits		44,311	59,856
		<u>44,311</u>	<u>(11,753,239)</u>
Net cash flow generated from / (used in) investing activities			
Cash flows from financing activities			
Proceeds from Islamic financing	8	136,128,505	9,229,512
Repayment of Islamic financing	8	(134,494,963)	-
Dividend distribution to ordinary shareholders	16	(5,399,754)	(3,281,777)
Shares buy-back	10	(618,651)	-
Return of capital	10	-	(8,725,966)
Payment of lease liabilities	2	(162,028)	-
Islamic financing cost paid		(7,528,474)	(4,738,853)
		<u>(12,075,365)</u>	<u>(7,517,084)</u>
Net cash flows used in financing activities			
Net decrease in cash and cash equivalents for the period		(4,840,708)	(10,200,504)
Cash and cash equivalents at the beginning of the period	6	15,754,585	18,693,403
		<u>10,913,877</u>	<u>8,492,899</u>
Cash and cash equivalents at the end of the period			

The accompanying notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

The independent auditor's report on the review of the condensed consolidated interim financial information is set out on page 5.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information

For the six month period ended 30 September 2019

1. General Information

ENBD REIT (CEIC) PLC (formerly known as ENBD REIT (CEIC) Limited) – a DIFC Company with registration number 2209 (“the Company” or “ENBD REIT”) was incorporated on 18 July 2016. ENBD REIT (CEIC) Limited is registered as a Public Fund with the Dubai Financial Services Authority (“DFSA”). The Company is regulated by the DFSA and is governed by, amongst others, the Collective Investment Law No. 2 of 2010 (“CIL”), the Collective Investment Rules module of the DFSA Rules (“CIR”), the Market Law DIFC Law No. 1 of 2012 (the “Market Law”), the Market Rules module of the DFSA Rules (“Market Rules”) and the applicable Dubai International Financial Centre (“DIFC”) companies law. The Company is categorised under the CIL as a Public Fund and the CIR as a Domestic Fund, an Islamic Fund, a Property Fund and a Real Estate Investment Trust (REIT). On 15 February 2017, the name of the Company was changed from EREF Dubai to ENBD REIT (CEIC) Limited. ENBD REIT and its subsidiaries and special purpose vehicles (“SPV”) are collectively referred to as “the Group”. The registered address of the Company is 8th Floor, East Wing, Dubai International Financial Centre, The Gate Building, PO Box 506578, Dubai, United Arab Emirates.

ENBD REIT has been established as a Shari’a compliant company limited by shares under the DIFC Companies Law. The principal activity of the Group is to participate in the United Arab Emirates (“UAE”) real estate markets to achieve regular rental income and some long-term capital growth from a diversified portfolio of property and property related assets. All investments of the Group take place according to Shari’a guidelines, as defined by the Shari’a Supervisory Board of the Group. The Shari’a Supervisory Board also periodically review that all investment decisions made by the Fund Manager are within Shari’a guidelines.

On 23 March 2017, the shares of ENBD REIT were admitted to the Dubai Financial Services Authority (“DFSA”) list of shares to trade on Nasdaq Dubai after an Initial Public Offering (the “IPO”).

2. Significant accounting policies

a. Basis of presentation

The condensed consolidated interim financial information for the six month period ended 30 September 2019 has been prepared in accordance with IAS 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the last annual consolidated financial statements for the year ended 31 March 2019, which 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 of the Group and in accordance with the applicable regulatory requirements of the DFSA. The condensed consolidated interim financial information is prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets and financial liabilities at fair value through profit or loss. It does not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements. The preparation of financial statement in conformity with IFRS requires the Directors to make certain accounting estimates, judgement and assumptions. Actual results may differ from those estimates and assumptions. It also requires the Directors to exercise judgement in the process of applying the Group’s accounting policies. Critical accounting estimates, judgements and assumptions are set out in Note 2 (d).

b. Significant accounting policies

Except as described in note 2(c), the accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019. The Group has adopted IFRS 16 – Leases from 1 April 2019 and has taken an exemption not to restate comparative information for prior periods with respect to impact of the newly adopted accounting standard. Therefore, the financial information of comparative periods have not been restated. Accordingly, the information presented for comparative period does not generally reflect the requirements of IFRS 16.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

2. Significant accounting policies (continued)

c. New Standards, Interpretations and Amendments

IFRS 16 Leases

The Group adopted IFRS 16 'Leases' from 1 April 2019. The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in April 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group's consolidated financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which is amortized over the useful life.

The Group has opted for the simplified modified approach as permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets has been measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 March 2019 are reconciled as follows to the recognized the lease liabilities as of 1 April 2019.

	2019 USD
	(Unaudited)
Operating lease commitments as of 31 March 2019	38,133,272
Adjustments for:	
Discounted using the lessee's incremental borrowing rate at the date of initial application	(22,706,870)
Lease liabilities recognised as at 1 April 2019	<u>15,426,402</u>
Shown as:	
Current lease liabilities	699,101
Non-current lease liabilities	14,727,301

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 USD	30 September 2019 USD
Land and Building	<u>15,426,402</u>	<u>15,389,206</u>
	<u>15,426,402</u>	<u>15,389,206</u>

The reduction during the period for right-of-use assets on account of amortisation amount to USD 37,196.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

2. Significant accounting policies (continued)

c. *New Standards, Interpretations and Amendments (continued)*

IFRS 16 Leases (continued)

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

- Right-of-use assets – increase by USD 15,426,402.
- Lease liabilities – increase by USD 15,426,402.

There is no impact on retained earnings as of 1 April 2019 of the adoption of IFRS 16 as Group has opted to use simplified modified approach.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost at initial recognition comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Subsequently, the right-of-use assets are measured at fair value.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the condensed consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Not to separate the non-lease components from lease components and instead account for each lease component and any service/non lease component as single lease component;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

2. Significant accounting policies (continued)

d. Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies that affect the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities relate to Investment Properties and allowance for impairment losses on financial assets.

In preparing the condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2019, except for the application of IFRS 16 as described in note 2(c).

i. Valuation of investment properties

The Group follows the fair value model under IAS 40 whereby investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.

Investment properties are stated at fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date. The value of a liability reflects its non-performance risk.

The fair values have been determined by taking into consideration discounted cash flows where the Group has on-going lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

The Group's management has reviewed the assumptions and methodologies used by the independent registered valuer and, in their opinion, these assumptions and methodologies appears reasonable as at the reporting date considering the current economic and real estate outlook in the UAE.

e. Operating segment

The Group has only one operating segment in the UAE.

3. Investment properties

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
Balance at start of the period / year	447,434,883	462,561,122
Additions to investment properties	-	6,587,631
Changes in fair value	(12,106,813)	(18,826,673)
Accrued lease income	(2,860,002)	(2,887,197)
	<hr/> 432,468,068	<hr/> 447,434,883
Right-of-use assets	15,389,026	-
Balance at end of the period / year	<hr/> 447,857,274 <hr/>	<hr/> 447,434,883 <hr/>

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

3. Investment properties (continued)

Investment properties as at 30 September, 2019 were valued by CB Richard Ellis and Cavendish Maxwell who are qualified external independent property valuation companies and carried out the valuation in accordance with the RICS Valuation Global Standards 2017. Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS") and are undertaken by appropriately qualified valuers who are members of RICS and who have recent experience in the locations and categories of the properties being valued. Fair value is estimated based on the Investment Method as described below and benchmarked to comparable transactions wherever applicable.

For certain investment properties, valuer has used the Market Approach to value the apartments, where fair value was determined by taking into consideration market comparable and benchmarked from sale transactions of similar properties.

Under the investment method, investment value is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, capitalisation rates have been applied to the properties taking into account size, location, terms, covenants and other material factors at the valuation date.

Accrued lease income of USD 2.86 million (31 March 2019: USD 2.88 million) as at the reporting date, relating to the accounting for operating lease rentals on a straight line basis has been eliminated from the valuation of investment properties, in order to avoid double counting of assets and liabilities.

Investment properties with carrying value of USD 432.5 million (31 March 2019: USD 428.8 million) are mortgaged against bank borrowings.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The fair value measurement for the investment properties has been categorised as Level 3 based on the inputs to the valuation technique used except for Remraam which is categorized as Level 2. For all investment properties, the current use of the property is considered to be highest and best use. The significant unobservable inputs used in the fair value measurement of investment properties are:

- Estimated Rental Value ("ERV")
- Long-term vacancy rate (with the exception of fully occupied property void, periods of 6 months – 12 months were applied for units that were vacant as at the reporting date, which is over and above 3% - 10% permanent void periods applied on these properties)
- Equivalent yield (30 September 2019: 6.5% - 8.0%; 31 March 2019: 6.5% - 8%)

Significant increases / (decreases) in the ERV (per sqm p.a.) in isolation would result in a significantly higher / (lower) fair value measurement. Significant increases / (decreases) in the long-term vacancy rate and equivalent yield in isolation would result in a significantly lower / (higher) fair value measurement.

Generally, a change in the assumption made for the ERV (per sqm p.a.) is accompanied by:

- a similar change in the equivalent yield, and
- an opposite change in the long-term vacancy rate

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

4. Trade and other receivables

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
<i>Rent receivable</i>		
Gross amount receivable	933,282	1,152,281
Less: allowance for impairment	(370,352)	(187,194)
	<u>562,930</u>	<u>965,087</u>
<i>Other Receivables</i>		
Deposits for utilities	945,535	945,535
Accrued rental income	1,170,054	1,089,350
Accrued lease incentive	2,860,002	2,887,197
Other receivables	1,156,556	686,966
	<u>6,132,147</u>	<u>5,609,048</u>
Total trade and other receivables	<u>6,695,077</u>	<u>6,574,135</u>
Movement in allowance for impairment		
Balance at start of the period / year	(187,194)	(29,032)
Charge for the period / year	(183,158)	(158,162)
Balance at end of the period / year	<u>(370,352)</u>	<u>(187,194)</u>

5. Prepaid expenses

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
Other prepaid expenses	194,343	239,068
Total prepaid expenses	<u>194,343</u>	<u>239,068</u>

6. Cash and cash equivalents

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
Cash at GSO Portal (in AED account)	3,877	-
Cash at bank (in USD accounts))	2,376,117	2,027,510
Cash at bank (in AED accounts)	8,533,883	13,727,075
Total cash and cash equivalents	<u>10,913,877</u>	<u>15,754,585</u>

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

7. Trade and other payables

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
Current liabilities:		
Rent received in advance and unearned income	8,679,350	11,409,004
Tenants' security deposits	881,481	845,923
Management fees	977,534	904,072
Sundry creditors	1,865,264	2,048,447
	<u>12,403,629</u>	<u>15,207,446</u>
Non-current liabilities:		
Tenants' security deposits	<u>2,652,958</u>	<u>2,747,562</u>

8. Islamic financing

During the period, the Group signed a commodity murabaha facility of USD 176,967,057 (equivalent to AED 650,000,000) on 30 June 2019 with Mashreq Bank which is secured against selected investment properties. The murabaha rate is 2.65% above the quarterly EIBOR, payable in arrears. As at 30 September 2019, the Group had drawn down USD 136,128,505 equivalent to AED 500,000,000, remaining facility is available for business or acquisitions. The facility term is 12 years where first 4 years is profit only and principal repayment will start from year 5. 30% of the facility will be repaid on termination date. The Group also repaid entire existing mudaraba facility with ENBD Bank of USD 134,494,963 equivalent to AED 494,000,000 along with any profit outstanding on the facility as on the repayment date. The Group was paying profit of 3% above the quarterly EIBOR on it.

During the previous year ended 31 March 2019, the Group had signed a commodity murabaha facility on 14 November 2018 with Standard Chartered Bank of USD 90,000,000 which is secured against selected investment properties. This is a profit only facility for 3 years and principal will be repaid at maturity. The profit rate is 2.15% above the quarterly LIBOR, payable in arrears. As at 30 September 2019, the Group has drawn down USD 45,500,000 from the facility. The facilities are payable as follows:

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
<i>Contractual cash flows</i>		
- Less than one year	8,818,871	9,565,869
- Between one and five years	202,547,030	196,382,395
	<u>211,365,901</u>	<u>205,948,264</u>
Future finance costs not recognised in the condensed consolidated interim financial information	(29,737,396)	(25,953,301)
	<u>181,628,505</u>	<u>179,994,963</u>
Less: Deferred finance costs (refer note i below)	(2,453,490)	(1,430,305)
Net Islamic finance liability – carrying value	<u>179,175,015</u>	<u>178,564,658</u>

Net Islamic financing liability is presented in these consolidated financial statements as follows:

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
- Less than one year	-	-
- More than one year	179,175,015	178,564,658

i) This represents the arrangement fees paid for obtaining Islamic financing facilities.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

8. Islamic financing (continued)

Movement in the Islamic finance during the year is as follows:

	As at 30 Sep 19 USD	As at 31 Mar 19 USD
As at 1 April	179,994,963	168,254,833
Repayments during the period/year	(134,494,963)	(42,989,382)
Withdrawals during the period/year	136,128,505	54,729,512
As at end of the period/year	<u>181,628,505</u>	<u>179,994,963</u>

9. Payable for investments

The balance represents payables of USD 1,361,286 (31 March 2019: USD 2,153,945) for the investment properties to be paid to third party on completion of certain terms as per individual agreements.

10. Share Capital

a) Share capital

The authorised share capital of the Company is USD 400,000,000 divided into 500,000,000 fully paid Ordinary Shares at a nominal value of USD 0.80 per share. The fully paid ordinary shares of the Company are 250,000,000 (31 March 2019: 251,151,340). Pursuant to reduction in share capital (note 10(b)) and shares buy-back (note 10(c)), the share capital of the Company is USD 200,000,000 (31 March 2019: USD 200,921,072).

b) Reduction of capital

During the year ended 31 March 2019, shareholders' in General Meeting dated 27th November 2018 approved to reduce the issued share capital of the Company and transfer the same to distributable reserve and special reserve. The purpose of the distributable reserve is to enable ENBD REIT to maintain consistent dividend payments despite movements in capital values. As at 30 September 2019, the balance in the distributable reserve account stands at USD 57,948,011 (31 March 2019: USD 54,351,904).

The purpose of the special reserve account is for coverage of liabilities outstanding as at 31st December 2018, where the balance will move to the distributable reserve account as and when these liabilities are settled. As at 30th September 2019, ENBD REIT has settled USD 10,104,450 and the balance in the special reserve account stands at USD 4,573,045 (31 March 2019: USD 8,169,152).

c) Shares buy-back

Following share capital reduction, the Company initiated a share buy-back programme for total number of 4,401,340 shares, commencing from 21st February 2019 until 30th September 2019. As at reporting date, ENBD REIT has bought back 4,401,340 shares (until 31 March 2019: 3,250,000 shares) at the prevailing market price thereby completing the share buy-back programme. The Company had appointed Integrated Securities LLC as an independent broker to execute the programme on behalf of ENBD REIT, with the programme aimed to add value to shareholders holding equity at the discounted share price level.

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

11. Property operating expenses

	For the six month period ended 30 Sep 19 USD (Unaudited)	For the six month period ended 30 Sep 18 USD (Unaudited)
Building managers' expenses	2,546,579	2,581,891
Cleaning, electricity and water	552,375	522,732
Building maintenance expenses	84,406	85,340
Air conditioning	288,147	171,493
Insurance	57,127	67,297
Legal & professional fees	32,074	32,790
Miscellaneous expenses	256,861	224,593
	<u>3,817,569</u>	<u>3,686,136</u>

12. General and administrative expenses

	For the six month period ended 30 Sep 19 USD (Unaudited)	For the six month period ended 30 Sep 18 USD (Unaudited)
Legal and professional fees	255,366	392,305
Board and committee fees	245,512	438,275
Fund administration custodian and related services	54,483	43,248
Miscellaneous expenses	142,458	104,711
	<u>697,819</u>	<u>978,539</u>

13. Related parties and significant transactions

Related parties of the Group include significant shareholders, key management personnel, directors and businesses which are controlled directly or indirectly by the significant shareholders or directors or over which they exercise significant management influence. Pricing policies and terms of these transactions are approved by the Group's management and are carried out at arm's length transaction.

There have been no changes identified in related parties since 31 March 2019.

Related party transactions

	For the six month period ended 30 Sep 19 USD (Unaudited)	For the six month period ended 30 Sep 18 USD (Unaudited)
Management fees (i)	2,148,198	2,179,551
Board and Committee fees (ii)	152,648	112,500
Other Asset Management expenses	25,592	49,551
Transaction and development fee (iii)	-	152,464
Fund administration custodian and related services (iv)	48,483	43,248
Profit on Islamic deposit	44,311	7,147
Repayment of Mudaraba facility	134,494,963	-
Finance cost on Islamic financing	2,980,141	4,930,135

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

13. Related parties and significant transactions (continued)

i) The Group has appointed Emirates NBD Asset Management Limited as the Fund Manager. The following management fee is payable to the Fund Manager:

Total Net Assets per Fund	Management Fee
On first USD 550 million Net Assets	1.50% of NAV
On next USD 450 million Net Assets	1.25% of NAV
Over USD 1,000 million Net Assets	1.00% of NAV

ii) Each director of ENBD REIT is entitled to a remuneration of USD 75,000 per annum. Director fees charged to the Group for the period ended 30 September 2019 were USD 152,648 (30 September 2018: USD 112,500) and USD 75,000 was owed to Directors at 30 September 2019 (31 March 2019: USD 216,369).

iii) The Fund Manager is also entitled to receive transaction and development fees from the Fund on the acquisition and development of investment properties at agreed rate.

iv) The Company has appointed Apex Fund Services (Guernsey) Ltd as the Custodian (previously, State Street Custodial Services (Jersey) Limited). The custodian fees are divided into two categories for each market of investment, namely safekeeping fees and transaction fees.

Balances with related parties

Cash and cash equivalents of the Group is placed with a shareholder of the Company (a bank) amounting to USD 9,034,830 (31 March 2019: USD 12,817,209).

As at 30 September 2019, the Group has an amount payable to the Fund Manager of USD 977,384 (31 March 2019: USD 904,072).

14. Financial risk and Capital management

The Group's activities expose it to various types of risk that are associated with financial instruments and markets in which it invests.

The condensed consolidated interim financial information does not include all financial risk management statement and disclosures required in the annual consolidated financial statements and they should be read in conjunction with the Group's audited annual financial statements as at 31 March 2019.

There have been no changes in the risk profile and capital management policies since 31 March 2019.

15. Fair value of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities approximate their fair values as at the reporting date.

16. Dividend Distribution

During the current period, a final dividend of USD 0.0215 per share amounting to USD 5,399,754 (4% of NAV) was declared and approved for the period ended 31st March 2019 and paid on 15th July 2019 (31 March 2019: USD 3,281,777).

ENBD REIT (CEIC) PLC and its subsidiaries

Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six month period ended 30 September 2019

17. Loss per share

The calculation of basic earnings per share is based on the profit or loss attributable to Ordinary Shareholders and weighted average number of Ordinary Shares outstanding. The Group does not have any potential ordinary shares and accordingly Basic and Diluted Earnings per share are the same.

	30 Sep 19 USD	30 Sep 18 USD
Loss attributable to the ordinary shareholders of the Group	(10,056,176)	(3,461,351)
Weighted number of ordinary shares in issue (refer note i below)	250,905,787	254,401,340
Basic loss per share (USD)	<u>(0.04)</u>	<u>(0.01)</u>

i) Reconciliation of weighted average number of ordinary shares

	30 Sep 19 USD	30 Sep 18 USD
As at 1st April	251,151,340	254,401,340
Impact of shares buy back	(245,553)	-
Weighted average number of ordinary shares at end	<u>250,905,787</u>	<u>254,401,340</u>

18. Contingent Liabilities and Commitments

Capital commitments and contingencies

The Group does not have any significant contingent liabilities at 30 September 2019 (31 March 2019: Nil). The Group has no capital commitments as at the reporting date (31 March 2019: USD 34,304,383 for acquisition of Souq Extra Phase II).

Operating lease commitments as a lessor

The Group leases out its investment properties. Future minimum lease receivable under non-cancellable operating lease are as follows:

	As at 30 Sep 19 USD (Unaudited)	As at 31 Mar 19 USD (Audited)
Less than one year	26,887,111	26,166,316
Between one and five years	40,945,027	43,468,233
More than five years	56,018,149	53,829,943
	<u>123,850,287</u>	<u>123,464,492</u>

19. Corresponding figures

Certain corresponding figures have been reclassified to conform to the presentation adopted in this condensed consolidated interim financial information.

20. Approval of the financial information

The condensed consolidated interim financial information was approved by the Board of Directors on 26 November 2019.