



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

# DOLMEN CITY REIT

## TODAY, **TOMORROW** TOGETHER

Quarterly Report 31 March 2019



## ABOUT REITs

A Real Estate Investment Trust (REIT) is an entity that owns or finances income-producing real estate. REITs are like mutual funds. REITs provide all types of investors with regular income streams, diversification and long-term capital appreciation. REITs allow individuals to invest in real-estate properties similar to purchasing a stock of a company and owning units. A REIT combines a pool of money from individuals and institutions to buy real estate. The unit holders of a REIT Scheme earn a share of the income produced through renting or selling of the real estate property without actually having to bear the hassle of buying or managing the property.

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## REITs IN PAKISTAN

REIT Regulatory Framework in Pakistan was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015. These regulations are comprehensive with the principal focus on the protection of interests of general investors in a REIT Scheme. A “REIT Scheme” in Pakistan means a listed closed-end fund registered under Real Estate Investment Trust Regulations 2015. The three types of REIT schemes introduced by SECP in Pakistan are:

**Developmental REIT:** A Developmental REIT Scheme invests in real estate to develop it for Industrial, Commercial or Residential purposes through construction or refurbishment.

**Rental REIT:** A Rental REIT Scheme invests in Commercial or Residential real estate to generate rental income.

**Hybrid REIT:** A REIT Scheme having both a portfolio of buildings for rent and a property for development.

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# SCHEME'S INFORMATION

Management Company	Arif Habib Dolmen REIT Management Limited	
Board of Directors	Mr. Nasim Beg	Chairman
	Mr. Abdus Samad A. Habib	Director
	Mr. Nadeem Riaz	Director
	Mr. Faisal Nadeem	Director
	Mr. Qamar Hussain	Independent Director
	Ms. Tayyaba Rasheed	Independent Director
	Mr. Sajidullah Sheikh	Director
Audit Committee	Mr. Qamar Hussain	Chairman
	Mr. Abdus Samad A. Habib	Member
Human Resource & Remuneration Committee	Ms. Tayyaba Rasheed	Chairperson
	Mr. Abdus Samad A. Habib	Member
	Mr. Faisal Nadeem	Member
	Mr. Muhammad Ejaz	Member
Chief Executive	Mr. Muhammad Ejaz	
CFO & Company Secretary	Mr. Zohaib Yaqoob	
Head of Internal Audit & Compliance	Mr. Muneer Gader	
Trustee   Share Registrar	Central Depository Company of Pakistan Limited CDC House, 99-B, Block B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi.	
Bankers	Bank Al Habib Limited	
	Askari Bank Limited	
	Faysal Bank Limited	
	Habib Bank Limited	
	Habib Metropolitan Bank Limited	
	Meezan Bank Limited	
	United Bank Limited	
	Allied Bank Limited	
	Bank Alfalah Limited	

External Auditors	Deloitte Yousuf Adil & Co. Chartered Accountants Cavish Court A-35, Block 7 & 8, K.C.H.S.U, Shahra-e-Faisal, Karachi.
Internal Auditors	Junaidy Shoaib Asad & Co. Chartered Accountants 1/6-P, P.E.C.H.S., Mohtrama Laeeq Begum Road, Off Shahrah-e-Faisal, Karachi.
Legal Advisor	Mohsin Tayebaly & Co. Corporate Legal Consultants 1st Floor, Dime Centre, BC-4 Block 9, Kehkashan, Clifton, Karachi.
Property Manager	Dolmen Real Estate Management (Private) Limited
Property Valuer	MYK Associates (Private) Limited
Shariah Advisor	Alhamd Shariah Advisory Services (Private) Limited
Rating Agency	JCR-VIS Credit Rating Company Limited VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad, Phase VII, DHA, Karachi.
Ratings	RMC Rating: AM2 (Management Quality Rating) DCR Rating : RR1 (REIT Rating)
Registered Office of Management Company	Arif Habib Centre, 23 M.T. Khan Road, Karachi.

# MANAGEMENT COMPANY'S STATEMENTS

## VISION

To be a knowledge based Real Estate Investment Company which adheres to the highest standards of Integrity, Professionalism and Quality to generate sustainable returns for all stakeholders.

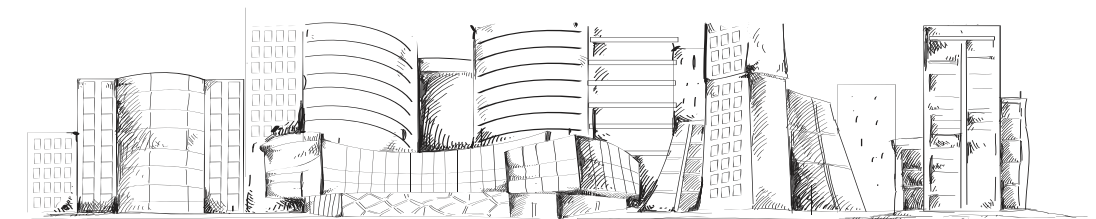
## MISSION

To build upon our competitive advantage of being the first REIT Management Company of Pakistan by providing customer-centric full scale real estate investment related solutions to a selected group of clientele.

We endeavor to provide solutions that not only contribute to the financial bottom-line for our customers but also help them create a distinct strategic advantage.

## VALUES

Responsibility  
Energy  
Integrity  
Teamwork



# DIRECTORS' REVIEW REPORT

## Dear Unitholders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, we are pleased to present the Directors' Review report of Dolmen City REIT (DCR), the Scheme, for the nine months period and quarter ended on March 31, 2019.

## Financial and Operational Performance

During the period under review, DCR recorded a rental income of PKR 2,477.37 million (PKR 864.17 million for the third quarter) showing an increase of 9.46% over the corresponding period last year. Marketing income was recorded at PKR 128.24 million (PKR 41.46 million for the third quarter) against PKR 144.49 million during the previous corresponding period. Administrative and operating expenses during the period were 13.85% of rental income at PKR 343.19 million. Net Operating Income for the period was recorded at PKR 2,262.41 million (PKR 789.58 million for the third quarter)

compared with PKR 2,033.04 million during the corresponding period last year. Profit for the period was recorded at PKR 5,140.38 million, comprising of PKR 2.27 billion from operations and PKR 2.87 billion from change in fair value of investment property. DCR is pass through entity for tax purposes and not liable to income tax provided it meets certain conditions stipulated in the Income Tax Ordinance, 2001. The profit translates into earnings of PKR 2.31 per unit against PKR 1.43 per unit during the corresponding period last year. The earning per unit of PKR 2.31 per unit comprises of distributable income of PKR 1.02 (PKR 0.92 for the corresponding period) and PKR 1.29 (PKR 0.51 for corresponding period) being un-distributable unrealized fair value gain on investment property.

The occupancy level of DCR's property is stable on an overall basis and stand at 98% by the end of March 2019 (compared with 98.9% at the end of December 2018).

The Harbour Front is completely occupied with satisfied tenants and the tenancy pool of Dolmen Mall Clifton has majorly remained the same. Total vacant area in the Mall is 12,368 square feet. During the quarter, some brands and companies such as Amante, Rowtisserie and Magnum have exited the tenancy pool while Limelight and Bakers Boy among others have entered it. Tenants' satisfaction with the operations and property management at the premises is reflected in their long term agreements and eagerness to occupy further space on availability. As at March 31, 2019, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around 4.15 years and of the Harbour Front (32% of the total area) is around 2.08 years (DCR's current average lease expiry is 3.49 years).

Occupancy level at Dolmen Mall Clifton and Harbour Front at period end is as follows:

Lease Occupancy	Leasable Area	Leased Area March, 2019	Vacant Area	Occupancy%
	(in square feet)			
Dolmen Mall Clifton	547,924	535,556	12,368	97.7%
The Harbour Front	256,544	256,544	-	100%
Total	804,468	792,100	12,368	98%

Changes in leased area on a quarter on quarter basis, are as follows:

Lease Occupancy	Leased Area March, 2019	Leased Area December, 2018	Occupancy variations	Occupancy Variation %
	(in square feet)			
Dolmen Mall Clifton	535,556	539,003	(3,447)	-0.6%
The Harbour Front	256,544	256,544	-	0%
Total	792,100	795,547	(3,447)	-0.4%

## Marketing Activities

Marketing and branding activities during the period in review kept the Mall bustling with healthy footfall during the quarter.

Month	Monthly	Daily Avg.
January-2019	929,794	29,993
February-2019	755,694	26,989
March-2019	904,477	29,177



### The Perfect Present:

During the month of February 2019, Dolmen Mall celebrated The Perfect Present. The event of Perfect Present was held in the 2nd week of February to integrate the seasonal festivities with the internal Mall activities. The event is a perfect welcome to the new season bringing pleasure to everyone. The aim of the event was to create an engaging ambience to enhance in Mall experience. The mall was beautifully decorated & engaging setups were placed by different event partners to add value in the overall success of the event.

### Lawn Festival:

Lawn Festival is based on the theme of spring aiming to provide a platform for lawn brands to promote themselves. The theme of the event was chosen keeping in mind the changing fabric of society where youth as well as adults are now very excited about the new launches of lawns by their favorite brands. This event will provide relevant information to the mall customers for free as to how they can stay fine-looking without having to go the extra mile. All major retailers and brand partners announced special promotions for this event hence allowing for greater engagement with customers. The mall was aesthetically decorated with drapes, banners and floral & butterfly cutouts that created a delightful ambience for the event. The main element of success for this event was the brands who placed their setups to exhibit their lawns in our atriums, adding a great value in the overall ambience.

The brands who exhibited their lawns were Khaadi, Sana Safinaz, Al-Karam Studio and J. Junaid Jamshed.

### International Women's Day:

8th March marks the occasion of International Women's Day where we observe the importance of women's achievements & their roles in the society. Dolmen Mall celebrated Women's Day event with 5 days of continuous festivities.

### Dolmen Loves Football:

Dolmen has always bolstered the sports inside the mall & this year, the plan was to create a chance for the sports lovers to come and cherish sports with Dolmen! For the first time, The International soccer stars visited the Dolmen mall with the collaboration of TSG & interacted with general audience in mall. The aim was to celebrate the passion for sports with celebrating soccer fever in the mall & enhancing the customer experience via dedicating a setup for football & football stars that would come to the mall. The objective is to give dolmen customer a meet and greet with famous football personalities.

### Pakistan Day Celebrations:

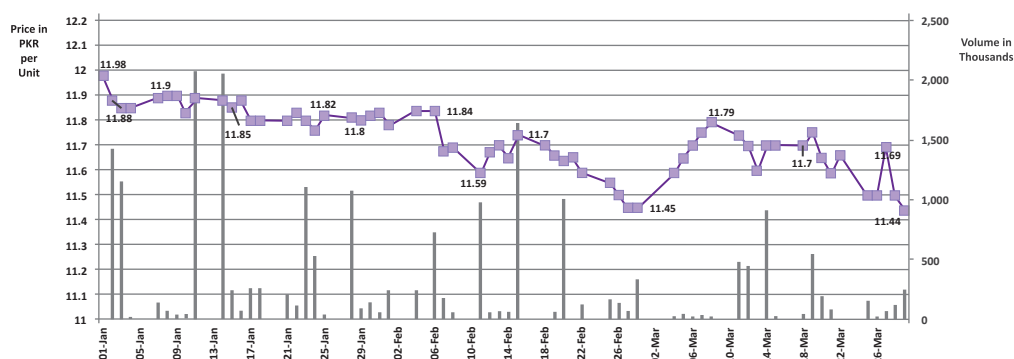
Dolmen Mall celebrated Pakistan Resolution Day from 22nd to 24th March. The mall adorned itself in patriotically crafted thematic ambience in green and white. Additionally, popular local and international brands at Dolmen Malls joined the #Meri Pehchan celebrations by offering 23% discount on their outlets. Dolmen Mall engaged customers in patriotic engagements such as parades, flag hoisting, resolution day quizzes, cultural acts and performances by the cultural artists.

### Stocks Performance

During the quarter under review, the stock market remained under extreme pressure, rising interest rate scenario and geopolitical hostility among other factors, strained recovery in the market, however the stock of 'DCR' showed signs of resistance as it traded at an average unit price of PKR 11.72 on the Pakistan Stock Exchange and touched a high of PKR 11.98 and a low of PKR 11.44 per unit. During the same period KSE100 index moved in the range between 41,614.39 to 37,542.01. In a volatile market, the stock of DCR remained fairly stable with beta of 0.25 (which means for every 1 rupee change in the value of a share in the benchmark; DCR price would likely change by only 25 paise, beta here represents low volatility and elasticity) and covariance with the market of only 0.20 (which is a measure of the degree to which returns on two risky assets move in tandem, indicate low positive correlation of DCR stock performance with the market performance). Hence, REITs are excellent instruments for accomplishing portfolio diversification and reduced volatility.

The Net Asset Value 'NAV' per Unit of DCR is PKR 20.34 at the quarter ended on March 31, 2019 and PKR 18.44 of the corresponding period last year i.e. March 31, 2018). DCR on its closing Unit price on March 29, 2019 traded at a discount of 43.76% to its NAV.

Stock Market performance of DCR Unit  
January 2019 to March 2019





### Dividend Distribution

The first and second interim cash dividend for FY 18-19 of PKR 0.33 per unit, which was announced by the Board of RMC in their meeting held on October 19, 2018 and on January 18, 2019, were paid on November 30, 2018 and February 26, 2019 respectively. The dividends distributed so far translate into PKR 0.66 per unit, providing annualized Dividend Yield equal to 13.2% at par.

### Business Environment

The business environment surrounding Dolmen City remains stable. However, it is pivotal that the taxation regime encompassing REITs and real estate sector are made supportive and consistent in the longer term. It is important that REITs are supported at all levels and benefits that are available to REITs in the province of Sindh are extended throughout the country for their proliferation.

The introduction of new, quality malls in the country is creating a healthy competition bringing with it benefits of several international brands eyeing Pakistan as their next destination. With professional property management, long lease expiries, extensive marketing activities and renowned tenants, we remain confident that Dolmen City will remain the destination of choice for the visitors, retail operators and corporations alike. This was also confirmed by the DCR Rating reaffirmation for the second year in a row (RR1, highest investment quality) by JCR-VIS Credit Rating Agency in 2018.

### Outlook

Dolmen City REIT is operating above its projected financial trajectory and has remained successful in maintaining occupancy levels and posting rental growth. Consistently healthy footfall and tenants' contentment with the mall is the testimony of operational success for DCR. Going forward, rental escalations would be the prime revenue driver as the mall is nearing maximum occupancy.

Vigilance at all levels by Trustee, RMC, Shariah Advisor and the SECP ensures compliance to the REIT Regulations and other applicable laws and standards is adhered. These factors continue to provide DCR's Unit Holders with a rewarding investing experience.

### Acknowledgement

We are thankful to DCR's valued investors, the Securities and Exchange Commission of Pakistan, the management of Pakistan Stock Exchange, the Trustees of DCR, the Property Manager and business partners for their continued cooperation and support. We also appreciate the effort put in by the management team.

For and on behalf of the Board



**Muhammad Ejaz**  
Chief Executive



**Nasim Beg**  
Chairman

Karachi  
18 April 2019

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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**TRUSTEE REPORT TO THE UNIT HOLDERS  
DOLMEN CITY REIT**

**Report of the Trustee pursuant to Regulation 15(1)(xiv) of the Real Estate  
Investment Trust Regulations, 2015**

We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Fund) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has materially complied with the Business Plan during the quarter ended March 31, 2019.

  
**Abdul Samad**  
Chief Operating Officer  
Central Depository Company of Pakistan Limited

Karachi: April 26, 2019



CONDENSED INTERIM  
FINANCIAL INFORMATION FOR  
FOR THE NINE MONTHS PERIOD  
AND QUARTER ENDED  
31 MARCH 2019

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	Unaudited 31 March 2019	Audited 30 June 2018
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non - current assets</b>			
<b>Total non - current assets</b> - Investment property	6	43,991,039	41,119,132
<b>Current assets</b>			
Rent receivables	7	113,159	128,048
Advances, prepayments and other receivables	8	276,074	264,541
Profit accrued		9,897	6,509
Bank balances	9	1,565,771	1,479,790
<b>Total current assets</b>		1,964,901	1,878,888
<b>Total assets</b>		45,955,940	42,998,020
<b>REPRESENTED BY:</b>			
Unit holders' fund			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)		22,237,000	22,237,000
<b>Reserves</b>			
<b>Total unit holders' fund</b>		45,237,812	42,232,181
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Formation costs payable to REIT management company		-	50,339
Security deposits		214,216	163,950
<b>Total non - current liabilities</b>		214,216	214,289
<b>CURRENT LIABILITIES</b>			
Payable to REIT management company	10	78,793	81,692
Security deposits		113,438	135,829
Accrued expenses and other liabilities	11	293,582	317,225
Unclaimed dividend		18,099	16,804
<b>Total current liabilities</b>		503,912	551,550
<b>Total unit holders' fund and liabilities</b>		45,955,940	42,998,020
(Rupees)			
<b>Net assets value per unit</b>		20.34	18.99

## CONTINGENCIES AND COMMITMENTS

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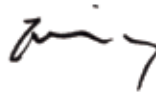
The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

		Nine months period ended		Quarter ended	
	Note	31 March 2019	31 March 2018	31 March 2019	31 March 2018
(Rupees in '000)					
<b>Income</b>					
Rental income		2,477,374	2,263,166	864,166	764,933
Marketing income		128,243	144,491	41,460	58,533
		2,605,617	2,407,657	905,626	823,466
Administrative and operating expenses	13	(343,199)	(374,613)	(116,045)	(137,949)
<b>Net operating income</b>		2,262,418	2,033,044	789,581	685,517
Other income - profit on deposits		95,537	89,725	38,625	20,552
		2,357,955	2,122,769	828,206	706,069
Management fee	10.1	(67,873)	(60,991)	(23,688)	(20,565)
Sindh Sales Tax on management fee	10.1	(8,823)	(7,929)	(3,079)	(2,674)
Trustee remuneration	11.1	(11,312)	(10,165)	(3,948)	(3,427)
Sindh Sales Tax on trustee remuneration	11.1	(1,471)	(1,321)	(514)	(445)
		(89,479)	(80,406)	(31,229)	(27,111)
<b>Profit before change in fair value of investment property</b>		2,268,476	2,042,363	796,977	678,958
Change in fair value of investment property	6	2,871,907	1,127,354	-	-
<b>Profit before taxation</b>		5,140,383	3,169,717	796,977	678,958
Taxation	14	-	-	-	-
<b>Profit after taxation for the period</b>		5,140,383	3,169,717	796,977	678,958
----- (Rupees) -----					
Earnings per unit - Distributable income		1.02	0.92	0.36	0.31
Earnings per unit - Undistributable unrealised fair value gains		1.29	0.51	-	-
<b>Earnings per unit - Basic and diluted</b>	16	2.31	1.43	0.36	0.31

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
(Rupees in '000)				
Profit after taxation for the period	5,140,383	3,169,717	796,977	678,958
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,140,383	3,169,717	796,977	678,958

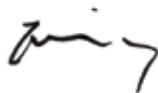
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Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Nine months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>5,140,383</b>	3,169,717
Adjustments for:		
Change in fair value of investment property / unrealised gain	(2,871,907)	(1,127,354)
Profit on deposits	(95,537)	(89,725)
	<b>2,172,939</b>	1,952,638
<b>Working capital changes</b>		
Decrease / (increase) in current assets		
- Rent receivables	14,889	(15,175)
- Advances, prepayments and other receivables	(7,487)	(8,850)
(Decrease) / increase in current liabilities		
- Payable to the REIT management company	(2,899)	1,311
- Security deposits received- net	27,875	60,793
- Accrued expenses and other liabilities	(23,643)	88,407
- Unclaimed dividend	1,295	-
<b>Cash generated from operations</b>	<b>2,182,969</b>	2,079,124
Taxes paid (withheld at source)	(4,046)	(3,448)
Formation costs paid - net	(50,339)	(54,916)
<b>Net cash generated from operations</b>	<b>2,128,584</b>	2,020,760
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash generated from investing activities - Profit on deposits received</b>	<b>92,149</b>	108,866
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash used in financing activities - Dividend paid</b>	<b>(2,134,752)</b>	(3,891,475)
Net increase / (decrease) in cash and cash equivalents during the period	<b>85,981</b>	(1,761,849)
Cash and cash equivalents at beginning of the period	<b>1,479,790</b>	3,185,531
Cash and cash equivalents at end of the period	<b>1,565,771</b>	1,423,682

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director



# CONDENSED INTERIM STATEMENT OF CHANGES IN UNIT HOLDERS' FUND (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Units	Reserves			Unit holders' fund	
		Capital Reserves		Revenue Reserves		Total
		Premium on issue of units - net	Fair Value Reserve	Unappropriated profit		
		----- (Rupees in '000) -----				
Balance as at 30 June 2017	22,237,000	281,346	16,602,964	2,614,188	19,498,498	41,735,498
Transactions with owners						
Cash dividend for the year ended 30 June 2017 (Rs. 1.15 per unit)	-	-	-	(2,557,255)	(2,557,255)	(2,557,255)
Cash dividend for the period ended 30 September 2017 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
Cash dividend for the period ended 31 December 2017(Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
	-	-	-	(3,891,475)	(3,891,475)	(3,891,475)
Total comprehensive income for the period - profit for the period	-	-	1,127,354	2,042,363	3,169,717	3,169,717
Balance as at 31 March 2018	22,237,000	281,346	17,730,318	765,076	18,776,740	41,013,740
Balance as at 30 June 2018	22,237,000	281,346	18,882,132	831,703	19,995,181	42,232,181
Transactions with owners						
Cash dividend for the year ended 30 June 2018 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
Cash dividend for the period ended 30 September 2018 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)
Cash dividend for the period ended 31 December 2018 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)
	-	-	-	(2,134,752)	(2,134,752)	(2,134,752)
Total comprehensive income for the period - profit for the period	-	-	2,871,907	2,268,476	5,140,383	5,140,383
Balance as at 31 March 2019	22,237,000	281,346	21,754,039	965,427	23,000,812	45,237,812

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

## 1 STATUS AND NATURE OF BUSINESS

**1.1** Dolmen City REIT (the Scheme) was established under Trust Deed, dated January 20, 2015, executed between Arif Habib Dolmen REIT Management Limited (AHDRML), as the REIT Management Company (RMC) and Central Depository Company of Pakistan Limited (CDCPL), as the Trustee; and is governed under the Real Estate Investment Trust Regulations, 2015 (REIT Regulations, 2015), promulgated and amended from time to time by the Securities and Exchange Commission of Pakistan (SECP).

The Trust Deed of the Scheme was registered on January 20, 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on May 29, 2015. The Scheme is a Perpetual, Closed-end, Shariah Compliant, Rental REIT. The Scheme is listed on Pakistan Stock Exchange. The Scheme is rated "RR1" by JCR-VIS Credit Rating Company Limited. The registered office of the REIT Management Company is situated at Arif Habib Center, 23 M.T. Khan Road, Karachi. All of the activities undertaken by the Scheme during the period ended March 31, 2019 including but not limited to deposits and placements with banks, rental and marketing income earned were all in accordance with principals of Shariah.

**1.2** The Scheme is the subsidiary of International Complex Projects Limited (ICPL). As at March 31, 2019, ICPL directly holds 75 percent units of the Scheme. The Scheme started its commercial activities on 01 June 2015.

## 2 BASIS OF PREPARATION

**2.1** This condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of

- International Accounting Standard 34 "Interim Financial Reporting" (IAS - 34)
- Provisions of and directives issued under the Companies Act, 2017 and Part VIIIA of the repealed Companies Ordinance, 1984; and
- The Real Estate Investment Trust Regulations 2015 (the REIT Regulations) and requirements of the Trust Deed.

Where the provision of and directives issued under the Companies Act, 2017 and Part VIII of the repealed Companies Ordinance 1984, REIT Regulations, 2015 and requirements of trust deed differ from IAS (34), the provisions of or directives under the Companies Act, 2017 and Part VIII of the repealed Companies Ordinance 1984, REIT Regulations, 2015 and requirements of trust deed have been followed.

This condensed interim financial statements of the Scheme does not include all of the information required for annual financial statements and should be read in conjunction with the financial statements of the Scheme as at and for the year ended June 30, 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Scheme's financial position and performance since the last financial statements.

This condensed interim financial statements is being submitted to the unit holders as required by listing regulations of Pakistan Stock Exchange Limited vide section 237 of the Companies Act, 2017.

### 2.2 Basis of measurement

This condensed interim financial statements have been prepared on the basis of 'historical cost convention' except investment property which is on fair value.

### 2.3 Functional and presentation currency

This condensed interim financial statements are presented in Pakistan Rupees which is also the Scheme's functional currency and all financial information presented has been rounded off to the nearest thousand, except otherwise stated.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2018 except for certain accounting and reporting standards which became effective for annual period beginning on or after July 01, 2018. In addition to this certain amendments to existing accounting and reporting standards and interpretations also became effective for the period beginning on or after July 01, 2018 however the new accounting and reporting standards or amendments to existing accounting and reporting standards or interpretations are either not relevant or do not having significant impact on this condensed interim financial statements.

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial statements, the significant judgments made by RMC in applying the Scheme's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding financial statements of the Scheme as at and for the year ended June 30, 2018.

## 5 RISK MANAGEMENT

The Scheme's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements as at and for the year ended June 30, 2018.

## 6 INVESTMENT PROPERTY

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	(Rupees in '000)	
Carrying amount at beginning of the period		41,119,132	38,839,964
Add: Change in fair value of investment property			
- unrealised gain		2,871,907	2,279,168
Carrying amount at end of the period	6.1	43,991,039	41,119,132

**6.1** The Investment property comprise of the buildings named as the "DOLMEN CITY MALL" and the "HARBOUR FRONT", comprising of two Basements (5,285 square feet), Ground floor (187,347 square feet), Mezzanine Floor (19,879 square feet), First floor (275,399 square feet), Second floor (272,972 square feet), Plant and Transformer Rooms (27,667 square feet), Third to Nineteenth floors (270,271 square feet) i.e. having a total covered area of 1,567,678 square feet with 15,201.68 square yards undivided share in the Plot bearing No. HC-3, Block 4, KDA, Scheme 5, Marine Drive, Karachi.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

The investment property has been valued by MYK Associates (Private) Limited ('MYK' or 'the Valuer') as at December 31, 2018 and June 30, 2018. The Valuer used all prescribed approaches to value the investment property as per the clause 7 (a) of Schedule VI to the REIT Regulations, 2015. The valuations are summarised below:

	31 December 2018 (Rupees in million)	30 June 2018
<b>Cost approach</b>	<b>21,880</b>	21,632
<b>Sales comparison approach</b>	<b>60,181</b>	59,712
<b>Income capitalization approach</b>		
(a) Valuer's assessment of rental income – using 7% capitalization rate	<b>44,037</b>	43,729
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	<b>43,991</b>	41,119

The clause 7 (c) of Schedule VI to the REIT Regulations, 2015, states that the Valuer shall provide an explanation of the relative strengths and weakness of various approaches and explicitly state the approach that is most appropriate for the REIT Scheme. MYK in its valuation report has stated that out of three approaches identified in REIT Regulations, 2015 "Income Capitalization Approach" is the most typical approach used for income producing properties i.e. rental properties. MYK has determined two values under Income Capitalization Approach as stated above, however recommended that the projected NOI based on existing rental agreements and expected rent for the vacant area is most appropriate for the Scheme. Accordingly, Investment Property has been valued in these condensed interim financial statements under Income capitalization approach based on existing rental agreements and expected rent for the vacant area.

The forced sales value of the investment property is assessed to be Rs. 48,144.762 million (30 June 2018: Rs. 47,770.068 million).

The fair value measurement for the investment property has been categorised as Level 3 fair value measurements which is considered as highest and best use of investment property.

## Significant unobservable inputs

	Sensitivity	
	Change in input	Effect on fair value (Rupees in '000)
- Present revenue (based on existing leasing contracts)	+ 5%	2,632,521
- Present revenue (based on existing leasing contracts)	- 5%	(2,632,521)
- Present operating costs (based on projected costs)	+ 5%	(432,969)
- Present operating costs (based on projected costs)	- 5%	432,969
- Capitalization rate	+ 1%	(5,498,880)
- Capitalization rate	- 1%	7,331,840

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

7	RENT RECEIVABLES		Unaudited 31 March 2019	Audited 30 June 2018
		Note	(Rupees in '000)	
	<b>Unsecured</b>			
	Considered good		113,159	128,048
	Considered doubtful		25,669	25,669
			<b>138,828</b>	153,717
	Less: Provision for doubtful balances		(25,669)	(25,669)
			<b>113,159</b>	128,048
8	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	<b>Unsecured - Considered good</b>			
	Security deposit		959	944
	Prepayments		7,724	252
	Advance tax		267,391	263,345
			<b>276,074</b>	264,541
	<b>Considered doubtful - unsecured</b>		4,728	4,728
			<b>280,802</b>	269,269
	Less: Provision for doubtful balances		(4,728)	(4,728)
			<b>276,074</b>	264,541
9	<b>BANK BALANCES</b>			
	Term deposit receipts	9.1	1,069,796	1,310,000
	Saving accounts	9.2	493,489	167,304
	Current account		2,486	2,486
			<b>1,565,771</b>	1,479,790
9.1	These represent term deposit receipts with Islamic banks and these carry expected profit rates ranging from 7.50% to 10.60% (June 30, 2018: 6.5%) per annum with maturities ranging from one to three months. These include security deposits received by the Scheme from tenants.			
9.2	This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.05% to 8.5 % (June 30, 2018: 2.05% to 6.40%) per annum.			

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

10	PAYABLE TO REIT MANAGEMENT COMPANY		Unaudited 31 March 2019	Audited 30 June 2018
		Note		
			(Rupees in '000)	
	Management fee payable		23,687	22,203
	Sindh Sales Tax		4,766	4,573
		10.1	28,453	26,776
	Current portion of formation costs		50,340	54,916
			78,793	81,692

- 10.1** Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of NOI of the Scheme. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax on the remuneration of RMC through Sindh Sales Tax on Services Act 2011, effective from July 01, 2014. The current applicable rate is 13% being effective from July 01, 2016.

11	ACCRUED EXPENSES AND OTHER LIABILITIES		Unaudited 31 March 2019	Audited 30 June 2018
		Note		
			(Rupees in '000)	
	Trustee remuneration	11.1	12,783	15,668
	Provision for government levies		2,326	1,329
	Monitoring fee payable to SECP		16,678	22,237
	Payable to associated undertakings		29,476	41,488
	Unearned rental income		84,717	92,073
	Sales tax and withholding income tax		45,165	45,963
	Charity payable		2,486	2,486
	Federal Excise Duty	11.2	11,980	11,980
	Takaful fee		-	1,537
	Shariah advisory fee		55	220
	Accrued expenses		83,216	74,106
	Other liabilities		4,700	8,138
			293,582	317,225

- 11.1** The Trustee is entitled to an annual remuneration for services rendered at a rate of 0.6% of the annual NOI under the provisions of the REIT Regulations, 2015. However, the Trustee charged annual remuneration at a rate of 0.5% of the annual NOI during the period. The Sindh Government has levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act 2011, effective from July 01, 2015. The current applicable rate is 13% being effective from July 01, 2016.

- 11.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the RMC has been applied. The RMC is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honorable SHC through its order dated June 02, 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act, 2005 (FED Act) on services, other than shipping agents and related services, is ultra vires to the Constitution from July 01, 2011.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

However, the declaration made by the SHC, as directed, will have effect in the manner prescribed in the judgment. Subsequently, the SHC in its decision dated June 30, 2016 on CP No. D-3547 of 2013 in respect of constitutional petition filed by management companies of mutual funds maintained the aforesaid order on the FED.

The Sindh Revenue Board and the Federal Board of Revenue have filed appeals before SCP against the SHC's decision dated June 02, 2016, which is pending for decision. With effect from July 01, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by Finance Act, 2016. Therefore, the Scheme has discontinued making the provision in this regard. As a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million has been maintained in the Scheme's condensed interim financial statements.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 March 2019.

## 13 ADMINISTRATIVE AND OPERATING EXPENSES

	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Rupees in '000)			
SECP Monitoring fee	16,678	16,678	5,560	5,559
Property management fee	168,481	153,240	55,813	48,622
Ancillary income collection fee	23,586	22,779	5,958	9,277
Common area maintenance charges	8,638	12,058	1,701	3,957
Legal and professional charges	4,891	2,653	2,212	1,131
Utility expenses	1,398	694	672	509
Marketing expenses	52,222	40,254	13,061	5,977
Takaful fee	12,762	17,797	4,192	5,846
Property and advertisement taxes	13,778	14,117	4,575	4,572
Auditors' remuneration	1,564	1,654	299	418
Renovation expense	35,412	87,573	20,632	51,049
Shariah advisory fee	165	165	55	55
Others	3,624	4,951	1,315	977
	343,199	374,613	116,045	137,949

## 14 TAXATION

The Scheme's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Board of Directors of the RMC intends to distribute more than ninety percent of the Scheme's accounting income for the year ending June 30, 2019 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash to avail the exemption. Accordingly, no tax provision has been made in the condensed interim financial statements for the period ended March 31, 2019.



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

## 15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include Arif Habib Dolmen REIT Management Limited being the Management Company, Central Depository Company of Pakistan Limited, being the Trustee to the Scheme, MYK Associates (Private) Limited being valuer, International Complex Projects Limited being the Holding Company, Dolmen Real Estate Management (Private) Limited, being property manager for rent collection, ancillary income collection and common area maintenance charges, connected person, associated companies, directors and key executives of the RMC, trustee, valuer and promoter of RMC.

The services provided under REIT Regulations or the trust deed or offering document, by the RMC, Trustee, Valuer, Property Manager shall not be deemed related party transaction.

Transactions with related parties are in the normal course of business, at contracted rates and terms determined in accordance with commercial rates.

There are no potential conflicts of interest of the related party with respect to the Scheme.

Details of the transactions with related parties and balances with them, if not disclosed elsewhere in these condensed interim financial statements are as follows:

### 15.1 Transactions during the period:

Transactions during the period:	Nine months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
<b>International Complex Projects Limited - Holding Company</b>		
- Rental income	34,066	30,969
- Purchase of equipment for maintenance	1,824	4,009
- Payment against guarantee commission	475	492
- Payment against purchase of equipment for maintenance	1,555	204
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	8,638	12,058
- Expenses incurred on behalf of Scheme	1,632	529
- Reimbursement of expenses incurred on behalf of Scheme	468	734
<b>Associate due to common directorship:</b>		
<b>Retail Avenue (Private) Limited</b>		
- Rental income	6,562	5,965
<b>Sindbad Wonderland (Private) Limited</b>		
- Rental income	43,459	20,763
<b>MCB - Arif Habib Savings and Investment Limited</b>		
- Marketing income	356	

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

## 15.2 Amounts outstanding as at period end

Unaudited  
31 March  
2019  
(Rupees in '000)

Audited  
31 June  
2018

### International Complex Projects Limited - Holding Company

- Rent receivable	171	171
- Net payable in respect of purchase consideration of investment property	1,819	1,819
- Payable against purchase of equipment for maintenance	4,056	3,787

### Dolmen Real Estate Management (Private) Limited - Property Manager

- Common area maintenance charges	6,401	18,527
- Expenses payable incurred on behalf of Scheme	1,539	375

### Associate due to common directorship :

#### Retail Avenue (Private) Limited

- Rent receivable	795	66
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#### Sindbad Wonderland (Private) Limited

- Rent receivable	756	466
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## 16 EARNINGS PER UNIT - BASIC AND DILUTED

	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Note				
	(Rupees in '000)			
Profit after taxation	5,140,383	3,169,717	796,977	678,958
	(Number of Units)			
Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000	2,223,700,000	2,223,700,000
	(Rupees)			
Earnings per unit - Basic and diluted	2.31	1.43	0.36	0.31

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

## 16.1 Earnings per unit comprises as Follows:

Note	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Rupees)			
Distributable income - earnings per unit	1.02	0.92	0.36	0.31
Undistributable unrealised fair value gains - earnings per unit	1.29	0.51	-	-
16.1.1	2.31	1.43	0.36	0.31

**16.1.1** Under the provisions of Trust Deed, the amount available for distribution shall be total of income and realised gain net off expenses. Accordingly, unrealised fair value gain is not distributable.

## 17 FAIR VALUES

Fair value is 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. Underlying the definition of fair value is the presumption that the Scheme is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of all the financial assets and liabilities at the reporting date approximate to their carrying value.

Fair value of investment property is shown under note no. 6.

## 18 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors of the RMC in their meeting held on 18 April 2019 have declared and approved an interim cash dividend for the quarter ended 31 March 2019 of Re. 0.33 per unit amounting to Rs 733.821 million. This condensed interim financial information do not include the effect of above announcement which will be accounted for in the period in which it is approved.

## 19 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 18 April 2019.



Chief Financial Officer



Chief Executive Officer



Director



**ARIF HABIB DOLMEN**  
REIT MANAGEMENT LIMITED

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