

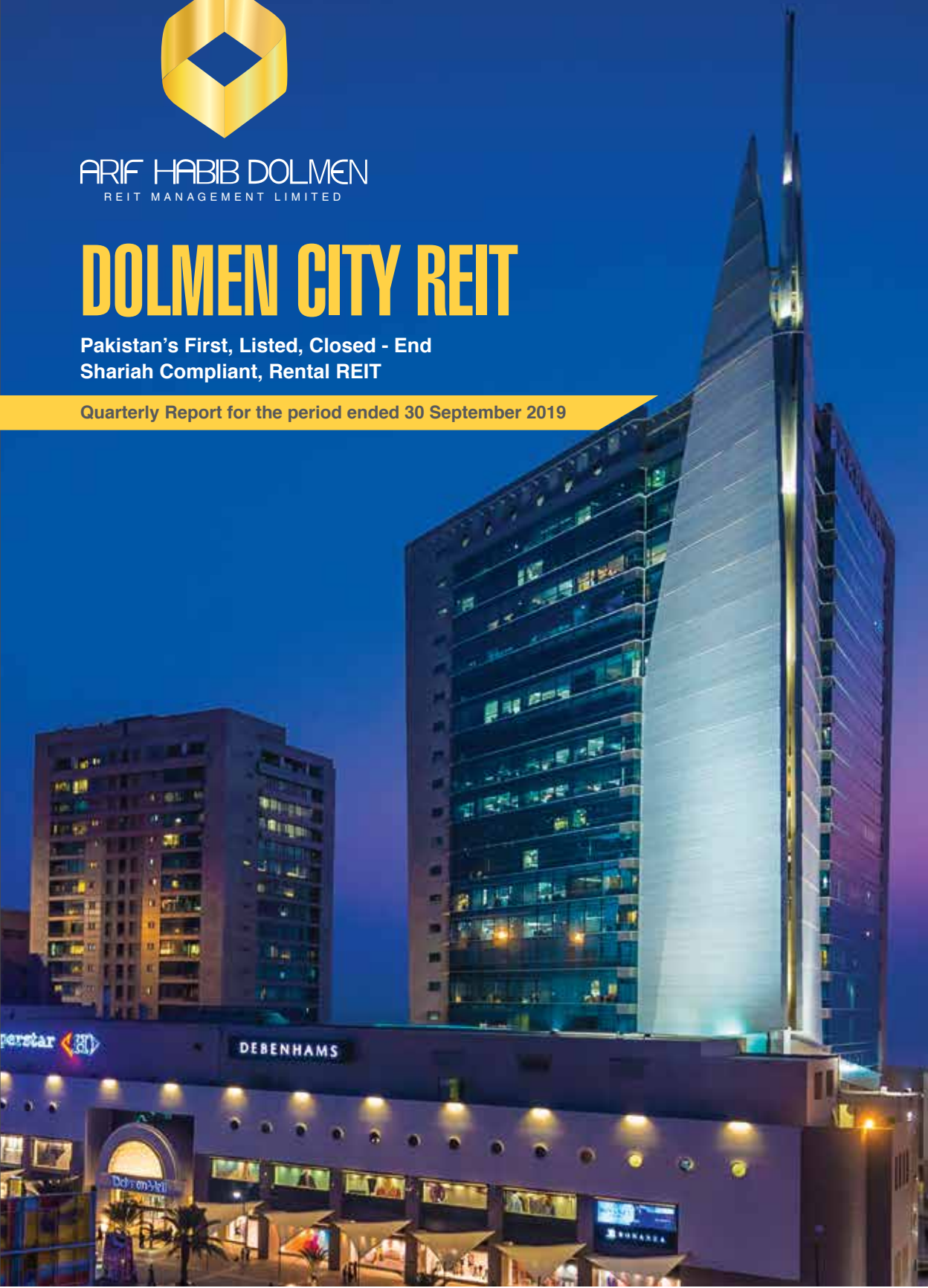


ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

DOLMEN CITY REIT

Pakistan's First, Listed, Closed - End
Shariah Compliant, Rental REIT

Quarterly Report for the period ended 30 September 2019





ABOUT REITs

A Real Estate Investment Trust (REIT) is an entity that professionally manages a pool of money from individuals and institutions to buy developed properties for rent, or to develop real estate and sell or rent it. The proceeds from rent or sale of the property are distributed to the unit holders.

REITs IN PAKISTAN

REIT Regulatory Framework in Pakistan was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, subsequently replaced by REIT Regulations 2015 as amended in 2018. These regulations are comprehensive with the principal focus on the protection of investors' interests. A "REIT Scheme" is a listed, closed-end fund registered under Real Estate Investment Trust Regulations 2018. The three types of REIT schemes in Pakistan are:

Developmental REIT: A Developmental REIT Scheme invests in the development of real estate 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 component for rent and for development.



TABLE OF CONTENTS

02	Scheme's Information
04	Vision, Mission & Delivering Value
05	Directors' Review Report
08	Trustee Report
09	Condensed Interim Financial Information for the three months period ended 30 September 2019
10	Condensed Interim Statement of Financial Position
11	Condensed Interim Statement of Profit or Loss (Unaudited)
12	Condensed Interim Statement of Comprehensive Income (Unaudited)
13	Condensed Interim Statement of Cash Flows (Unaudited)
14	Condensed Interim Statement of Changes In Unit Holders' Fund (Unaudited)
15	Notes to the Condensed Interim Financial Information (Unaudited)

SCHEME'S INFORMATION

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

VIS Credit Rating Company Limited
VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad,
Phase VII, DHA, Karachi.

Current Ratings

DCR Rating: AAA (rr) (REIT Rating)
RMC Rating: AM2+ (RMC) (Management Quality Rating)

**Registered Office
of Management Company**

Arif Habib Centre, 23 M.T. Khan Road, Karachi.

VISION - “all eyes on you”

As Pakistan’s first REIT, DCR aims to maintain its position as the premier office and retail Real Estate Investment Trust.

MISSION - “challenge the status quo and try new things”

Be a space where people aspire to work

Inspiring you to achieve more

Be the place where people love to shop

Enhance the customer experience to maximize shopper loyalty

To be the landlord of choice

Optimizing the tenancy mix through proactive leasing

DELIVERING VALUE - “security, stability, resilience”

Providing our unit holders with regular, stable distributions and sustainable long term growth.

DIRECTORS' REVIEW REPORT

Dear Unit holders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, We are pleased to present the Director's Review report of Dolmen City REIT (DCR), the Scheme, for the first quarter ended on 30 September 2019 of financial year 2019-20.

Financial and Operational Performance

During the period under review, DCR recorded a rental income of **PKR 847.39 million** as compared to **PKR 798.76 million** in corresponding period last year, showing an increase of **6.09%**. Marketing income was recorded at **PKR 42.29 million** as compared to PKR 42.16 million in corresponding period showing an increase of **0.32%**. Administrative and operating expenses during the period were **13.85%** of rental income at **PKR 117.37 million**. Net Operating Income 'NOI' for the period was recorded at **PKR 772.32 million** as compared to PKR 735.85 million in corresponding period with an increase of **4.96%**. Profit on deposits for the period were recorded at **PKR 54.34 million** as compared to PKR 24.38 million in the corresponding period.

Profit for the period was recorded at **PKR 796.12 million**, growing by **8.89%** from PKR 731.13 million in the corresponding period. DCR is a pass through entity for tax purposes and not liable to income tax provided it meets certain conditions. The profit translates into earnings of **PKR 0.3580 per unit** for the quarter, against PKR 0.3288 per unit in the corresponding period.

DCR has been able to maintain its occupancy levels above **95%** which is regarded as cent percent internationally. Occupancy at the Mall has remained constant at **98.3%** by the end of September 2019 (compared with 98.3% at the end of June 2019). However, due to vacation of office by Siemens Pakistan Engineering Limited and partial vacation by Philip Morris Pakistan Limited at The Harbour Front Building, the historical full occupancy was reduced to **92%** at **235,114 square feet** at the end of September 2019. Negotiations were already in place and new tenants will occupy space of **21,430 square feet** in the near future. During the quarter, some brands such as Interwood and Yellow have exited the tenancy pool of the mall while Bonanza, Shaffer and Mango Man 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 on September 30, 2019, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around **3.25 years** and of the Harbour Front (32% of the total area) is around **3.10 years** (DCR's current average lease expiry is **3.17 years**).

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

Lease Occupancy	Leasable Area	Leased Area September, 2019 (in square feet)	Vacant Area	Occupancy%
Dolmen Mall Clifton	547,924	538,692	9,232	98.3%
The Harbour Front	256,544	235,114	21,430	92%
Total	804,468	773,806	30,662	96%

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

Lease Occupancy	Leased Area September, 2019 (in square feet)	Leased Area June, 2019 (in square feet)	Occupancy variations	Occupancy Variation %
Dolmen Mall Clifton	538,692	538,692	-	-
The Harbour Front	235,114	249,344	(14,230)	(6%)
Total	773,806	788,036	(14,230)	(1.8%)

Marketing Activities

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

The Property Manager played an instrumental role in maintaining the goodwill and brand image of Dolmen City and enticed Karachiites to visit, shop and be part of the Dolmen Mall experience. The quarterly **Dolmen Magazine** kept patrons abreast of shopping festivals, event calendar, brand advertisements and discount offerings.

Independence Day: 14th August celebrations have been a signature event for Dolmen Mall since its inception. This year Pakistan celebrated its 72nd anniversary and we at Dolmen Mall ensured that celebrations were amplified great zeal. The Independence Day & Eid ul Adha came together hence the event theme was set to “Beam Green This Eid”. The main engaging setup was placed in the Fashion Boulevard, a life size Pakistan map was placed along with top 10 Pakistani monuments. Customers were delighted to see that setup.

The customer survey graph showed that the 90% of the customers had a great overall experience of the event.

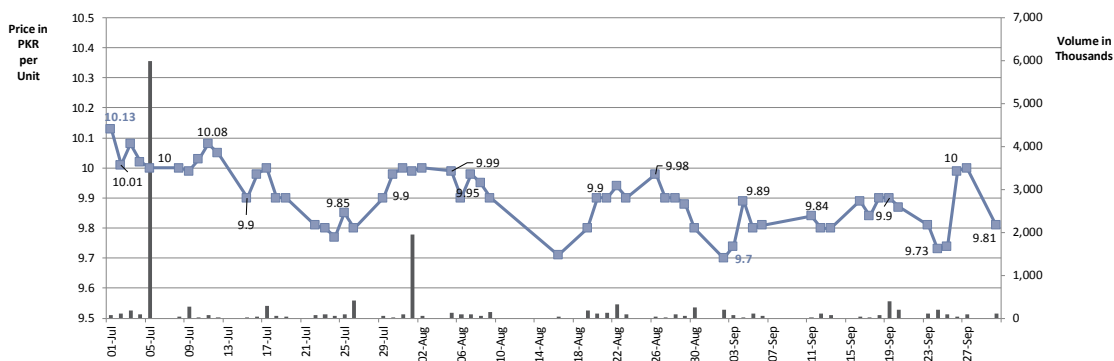
Back to School - July 2019: The concept was based around getting children excited for school with interactive activities. Promotional discounts led to increased footfall – with the idea being to have a fun and vibrant family weekend and experience at Dolmen Mall. All activities were themed accordingly. The event had multiple activities along with external activations. Teams of Drama Mama & Dot & Line collaborated with Dolmen team to provide with stage shows related to kids. The major attraction of the event was the game arena placed by the Dolmen team in the Fashion atrium. The event recorded the growth of 9% overall growth in the event.

Wheel on Show - September 2019: The Idea behind ‘Wheel on Show’ was to create an Exhibition of Cars, Bikes, and Motor Vehicles throughout the Mall to invite and engage Auto Fans and Enthusiasts and provide them an opportunity to explore multiple options at one time. The customers were found taking pictures of cars & bikes and were delighted to update their profile pictures on social media with their favorite cars & bikes. The footfall recorded the significant growth of 13% for the event. 96% of the customers had a good and very good experience with the event according to survey.

Stock Performance

During the quarter under review, the stock of ‘DCR’ traded at an average unit price of **PKR 9.90** and touched a high of **PKR 10.13** and a low of **PKR 9.70 per unit**. During the same period KSE100 index moved in the range between **34,896.55 to 28,764.63**. The stock of DCR showed some volatility amidst rising interest rate environment, however, largely remained stable compared with the stock market with beta of **0.16** (which means for every 1 rupee change in the value of a share in the benchmark; DCR price would likely change by only 16 paise, beta here represents low volatility and elasticity) and covariance with the market of only **0.28** (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.

Stock Market performance of DCR Unit
July 2019 to September 2019



The Net Asset Value 'NAV' per Unit of DCR is **PKR 20.82** at the quarter ended on September 30, 2019 and was **PKR 20.79** as at June 30, 2019). DCR on its closing Unit price of **PKR 9.81** on September 30, 2019 traded at a **discount of 52.88%** to its NAV.

Dividend Distribution

The board of directors have declared and approved an interim cash dividend for the quarter ended September 30, 2019 at **PKR 0.35 per unit**. It will translate into annual dividend yield of **14%**. The said dividend will be entitled to those unit holders whose name will appear in the register of unit-holder on the close of business on November 11, 2019.

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 equitable and consistent in the longer term. It is important that impediments against REITs are addressed at all levels and the fair treatment that is available to REITs in the province of Sindh is extended throughout the country in harmony for REITs to help documentation of real estate.

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 tenure, 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 AAA (rr) - Rating (highest investment quality and highest degree of stability in NAV) by VIS Credit Rating Agency in 2019.

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. Rental escalations would be the prime revenue driver as the mall is nearing maximum occupancy. However upcoming office supplies in next one or two years may put pressure in rental growth for office space, but in the case of Dolmen Mall, the Scheme should be able to derive double digit growth year on year basis.

Vigilance at all levels by the Trustee, the RMC, the Shariah Advisor and the SECP, ensures compliance with the REIT Regulations and other applicable laws and standards are 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

Karachi
October 16, 2019



Nasim Beg
Chairman

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



**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**

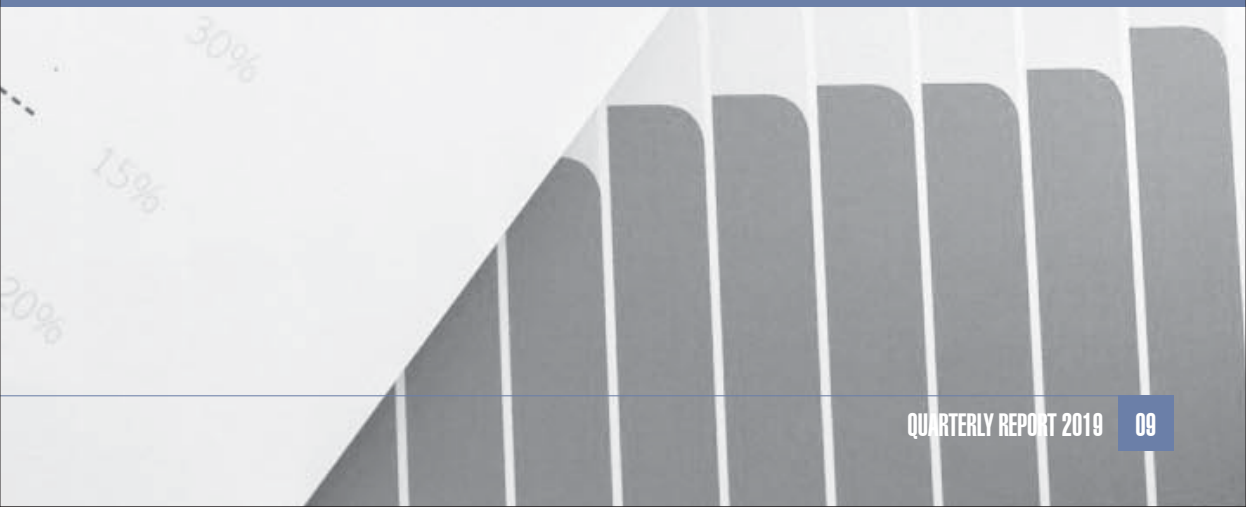
We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Fund) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has materially complied with the Business Plan during the quarter ended September 30, 2019.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 24, 2019



CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
ASSETS			
Non - current assets			
Total non - current assets - Investment property	6	44,954,466	44,954,466
Current assets			
Rent receivables	7	198,770	150,171
Short term deposits, prepayments and other assets	8	295,891	285,127
Profit accrued		27,294	13,091
Bank balances	9	1,566,168	1,619,355
Total current assets		2,088,123	2,067,744
Total assets		47,042,589	47,022,210
REPRESENTED BY:			
Unit holders' fund			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)		22,237,000	22,237,000
Reserves		24,058,498	23,996,196
Total unit holders' fund		46,295,498	46,233,196
LIABILITIES			
Non - current liabilities			
Security deposits		225,890	200,469
Total non - current liabilities		225,890	200,469
Current liabilities			
Payable to REIT management company	10	27,868	77,499
Security deposits		112,504	135,299
Accrued expenses and other liabilities	11	364,583	360,359
Unclaimed dividend		16,246	15,388
Total current liabilities		521,201	588,545
Total unit holders' fund and liabilities		47,042,589	47,022,210
(Rupees)			
Net assets value per unit		20.82	20.79

CONTINGENCIES AND COMMITMENTS

12

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 THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Note	30 September 2019	30 September 2018
(Rupees in '000)			
INCOME			
Rental income		847,391	798,764
Marketing income		42,299	42,162
		889,690	840,926
Administrative and operating expenses	13	(117,370)	(105,081)
Net operating income		772,320	735,845
Other income - profit on deposits		54,349	24,386
		826,669	760,231
Management fee	10.1	(23,170)	(22,075)
Sindh Sales Tax on management fee	10.1	(3,012)	(2,870)
Trustee remuneration	11.1	(3,862)	(3,679)
Sindh Sales Tax on trustee remuneration	11.1	(502)	(478)
		(30,546)	(29,102)
Profit before taxation		796,123	731,129
Taxation	14	-	-
Profit after taxation		796,123	731,129
(Rupees)			
Earnings per unit - Distributable income		0.3580	0.3288
Earnings per unit - Undistributable unrealised fair value gains		-	-
Earnings per unit - Basic and diluted	16	0.3580	0.3288

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 THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	30 September 2019 (Rupees in '000)	30 September 2018
Profit after taxation for the period	796,123	731,129
Other comprehensive income	-	-
Total comprehensive income for the period	796,123	731,129

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 CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

30 September 2019 30 September 2018
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax	796,123	731,129
Adjustments for:		
Profit on deposits	(54,349)	(24,386)
	741,774	706,743
Working capital changes		
(Increase) / decrease in current assets		
- Rent receivables	(48,599)	15,185
- Short term deposits, prepayments and other assets	(10,197)	(19,715)
(Decrease) / increase in current liabilities		
- Payable to the REIT management company	708	(4,720)
- Accrued expenses and other liabilities	4,224	(40,693)
- Unclaimed dividend	858	333
Cash generated from operations	688,768	657,133
Taxes paid (withhold at source)	(567)	(1,299)
Formation costs paid - net	(50,339)	(50,339)
Security deposits received- net	2,626	9,284
Net cash generated from operations	640,488	614,779

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash generated from investing activities - Profit on deposits received	40,146	23,187
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CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities - Dividend paid	(733,821)	(667,110)
Net decrease in cash and cash equivalents during the period	(53,187)	(29,144)
Cash and cash equivalents at beginning of the period	1,619,355	1,479,790
Cash and cash equivalents at end of the period	1,566,168	1,450,646

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 THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Units	Reserves			Unit holders' fund	
		Capital Reserves		Revenue Reserves	Total	
		Premium on issue of units - net	Fair Value Reserve Note 16.1.1	Unappropriated profit		
		(Rupees in '000)				
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 period ended 30 June 2018 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
Total comprehensive income for the period - profit for the period	-	-	-	731,129	731,129	731,129
Balance as at 30 September 2018	22,237,000	281,346	18,882,132	895,722	20,059,200	42,296,200
Balance as at 30 June 2019	22,237,000	281,346	22,717,466	997,384	23,996,196	46,233,196
Transactions with owners						
Cash dividend for the period ended 30 June 2019 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)
Total comprehensive income for the period - profit for the period	-	-	-	796,123	796,123	796,123
Balance as at 30 September 2019	22,237,000	281,346	22,717,466	1,059,686	24,058,498	46,295,498

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 THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

1 STATUS AND NATURE OF BUSINESS

- 1.1** Dolmen City REIT (the Scheme) was established under Trust Deed, dated 20 January 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 & Exchange Commission of Pakistan (SECP).

The Trust Deed of the Scheme was registered on 20 January 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on 29 May 2015. The Scheme is a Perpetual, Closed-end, Shariah Compliant, Rental REIT. The Scheme is listed on Pakistan Stock Exchange. The Scheme is rated "AAA (rr)" by 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 30 September 2019 including but not limited to deposits and placements with banks, rental and marketing income earned were all in accordance with principle of Shariah.

- 1.2** The Scheme is the subsidiary of International Complex Projects Limited (ICPL). As at 30 September 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 information of the Scheme for the period ended 30 September 2019 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" (IAS - 34) and provisions 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. 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 information 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 30 June 2019. 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.

2.2 Basis of measurement

This condensed interim financial information has been prepared on the basis of 'historical cost convention' except investment property which is stated at fair value.

2.3 Functional and presentation currency

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2019 except for certain accounting and reporting standards which became effective for annual period beginning on or after 01 July 2019. In addition to this certain amendments to existing accounting and reporting standards and interpretations also became effective for the period beginning on or after 01 July 2019 however the new accounting and reporting standards or amendments to existing accounting and reporting standards or interpretations are either not relevant or not having significant impact on this condensed interim financial information.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information 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 information, 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 30 June 2019.

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 30 June 2019.

6 INVESTMENT PROPERTY

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
Carrying amount at beginning of the period		44,954,466	41,119,132
Add: Change in fair value of investment property			
- unrealised gain		-	3,835,334
Carrying amount at end of the period	6.1	44,954,466	44,954,466

- 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.

The investment property has been valued by MYK Associates (Private) Limited ('MYK' or 'the Valuer') as at 30 September 2019 and previously as at 30 June 2019. 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 valuation of MYK are summarised below:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	30 September 2019 (Rupees in million)	30 June 2019
Cost approach	25,660	22,848
Sales comparison approach	62,131	62,131
Income capitalization approach		
(a) Valuer's assessment of rental income – using 7% capitalization rate	45,656	45,656
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	44,954	44,954

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 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. 49,705.272 million (30 June 2019: Rs. 49,705.272 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 exiting leasing contracts)	+ 5%	2,659,737
- Present revenue (based on exiting leasing contracts)	- 5%	(2,659,737)
- Present operating costs (based on projected costs)	+ 5%	(412,014)
- Present operating costs (based on projected costs)	- 5%	412,014
- Capitalization rate	+ 1%	(5,619,308)
- Capitalization rate	- 1%	7,492,411

7 RENT RECEIVABLES - Unsecured

	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
Considered good	231,403	182,804
Less: Allowance	(32,633)	(32,633)
	198,770	150,171

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

7.1 The following table shows movement in loss allowance for receivables:

	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
'Balance at beginning of the period	32,633	25,669
- Provision for the year	-	6,964
- Amount recovered	-	-
	-	6,964
Balance at end of the period	32,633	32,633

7.2 As at September 30, 2019, rent receivables aggregating to Rs. 198.77 million (June 30, 2019: Rs.150.171 million) were past due but not impaired. The ageing of these receivables is as follows:

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
Upto 6 months		138,829	120,355
More than 6 months		59,941	29,816
	7.2.1	198,770	150,171

7.2.1 The rent receivable represents amount receivable upto six months and more than six months amounting to Rs. 138.83 million (June 30, 2019: Rs.120.355 million) and Rs.59.94 million (June 30, 2019: Rs. 29.816 million) respectively net off provision for doubtful balances. More than six months balances mainly represents sales tax amounts which have not been paid by the tenants due to stay order granted by Honourable High Court of Sindh (SHC).

8 SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER ASSETS

	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
Unsecured - Considered good		
Security deposit	959	959
Prepayments	25,660	15,463
Advance tax	269,272	268,705
	295,891	285,127
Considered doubtful - unsecured	4,728	4,728
	300,619	289,855
Less: Provision for doubtful balances	(4,728)	(4,728)
	295,891	285,127

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
9			
BANK BALANCES			
Term deposit receipts	9.1	1,125,293	1,299,182
Saving accounts	9.2	440,875	320,173
		<u>1,566,168</u>	<u>1,619,355</u>

9.1 These represent term deposit receipts with Islamic banks and these carry expected profit rates ranging from 12.90% to 13.5% (30 June 2019: 12.5%) 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 5.03% to 13.0% (30 June 2019: 2.68% to 9.51%) per annum.

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
10			
PAYABLE TO REIT MANAGEMENT COMPANY			
Management fee payable		23,170	22,543
Sindh Sales Tax		4,698	4,617
	10.1	<u>27,868</u>	<u>27,160</u>
Current portion of formation costs		-	50,339
		<u>27,868</u>	<u>77,499</u>

10.1 Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of Net Operating Income (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 01 July 2014. The current applicable tax rate is 13% being effective from 1 July 2016.

	Note	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
11			
ACCRUED EXPENSES AND OTHER LIABILITIES			
Trustee remuneration	11.1	4,364	17,028
Provision for government levies		2,992	2,658
Monitoring fee payable to SECP		5,559	22,237
Payable to associated undertakings		33,242	27,396
Unearned rental income		131,812	109,719
Sales tax and withholding income tax		45,844	44,895
Federal Excise Duty	11.2	11,980	11,980
Shariah advisory fee		124	62
Accrued expenses		123,088	119,066
Other liabilities		5,578	5,318
		<u>364,583</u>	<u>360,359</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

11.1 The Trustee is entitled to an annual remuneration for services rendered upto 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. The Sindh Government has levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act 2011, effective from 01 July 2015. The current applicable rate is 13% being effective from 1 July 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 2 June 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 01 July 2011. 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 30 June 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 Supreme Court of Pakistan (SCP) against the SHC's decision dated 2 June 2016, which is pending for decision. With effect from 01 July 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 Financial Statements.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 September 2019.

13 ADMINISTRATIVE AND OPERATING EXPENSES

	Unaudited 30 September 2019	Unaudited 30 September 2018
	(Rupees in '000)	
SECP Monitoring fee	5,559	5,559
Property management fee	55,520	52,873
Ancillary income collection fee	7,863	9,317
Common area maintenance charges	4,375	4,042
Legal and professional charges	2,200	993
Marketing expenses	14,071	14,991
Renovation expense	17,620	7,234
Shariah advisory fee	62	55
Utility expenses	205	120
Takaful fee	4,285	4,285
Property and advertisement taxes	4,567	4,527
Auditors' remuneration	600	600
Others	443	485
	117,370	105,081

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

The Board of Directors of the RMC intends to distribute more than ninety percent of the Scheme's accounting income for the year ending 30 June 2020 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 information for the period ended 30 September 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 this condensed interim financial information are as follows:

15.1 Transactions during the period:

	Unaudited 30 September 2019 (Rupees in '000)	Unaudited 30 September 2018
International Complex Projects Limited - Parent Company		
- Rental income	12,491	11,355
- Payment against purchase of equipment for maintenance	917	-
Dolmen Real Estate Management (Private) Limited - Associate due to common directorship		
- Common area maintenance charges	4,375	4,042
- Expenses incurred on behalf of Scheme	1,125	316
- Reimbursement of expenses incurred on behalf of Scheme	540	395
Retail Avenue (Private) Limited - Associate due to common directorship		
- Rental income	2,409	2,187
Sindbad Wonderland (Private) Limited - Associate due to common directorship		
- Rental income	17,517	10,117
MCB - Arif Habib Savings and Investment Limited - Associate due to common directorship		
- Marketing income	-	356

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

15.2	Amounts outstanding as at period end	Unaudited 30 September 2019 (Rupees in '000)	Audited 30 June 2019
	International Complex Projects Limited		
	- 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	1,562	2,479
	Dolmen Real Estate Management (Private) Limited - Property Manager		
	- Common area maintenance charges	6,701	3,632
	- Expenses payable incurred on behalf of Scheme	1,796	1,211
	Retail Avenue (Private) Limited		
	- Rent receivable	66	66
	Sindbad Wonderland (Private) Limited		
	- Rent receivable	466	466
16	EARNINGS PER UNIT - BASIC AND DILUTED	Note	
		Unaudited 30 September 2019 (Rupees in '000)	Unaudited 30 September 2018
	Profit after taxation	796,123	731,129
		(Number of Units)	
	Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000
		(Rupees)	
	Earnings per unit - Basic and diluted	16.1	0.3580
16.1	Earnings per unit comprises as follows:		0.3288
	Distributable income - earnings per unit	0.3580	0.3288
	Undistributable unrealised fair value gains - earnings per unit	-	-
	16.1.1	0.3580	0.3288
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.		

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

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 16 October 2019 have declared and approved an interim cash dividend for the quarter ended 30 September 2019 of Re. 0.35 per unit amounting to Rs 778.295 million. This condensed interim financial information does 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 16 October 2019.



Chief Financial
Officer



Chief Executive
Officer



Director



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