

# INVESTING TODAY FOR A PROSPEROUS TOMORROW DOLMEN CITY REIT

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021



INVESTING TODAY FOR A PROSPEROUS TOMORROW











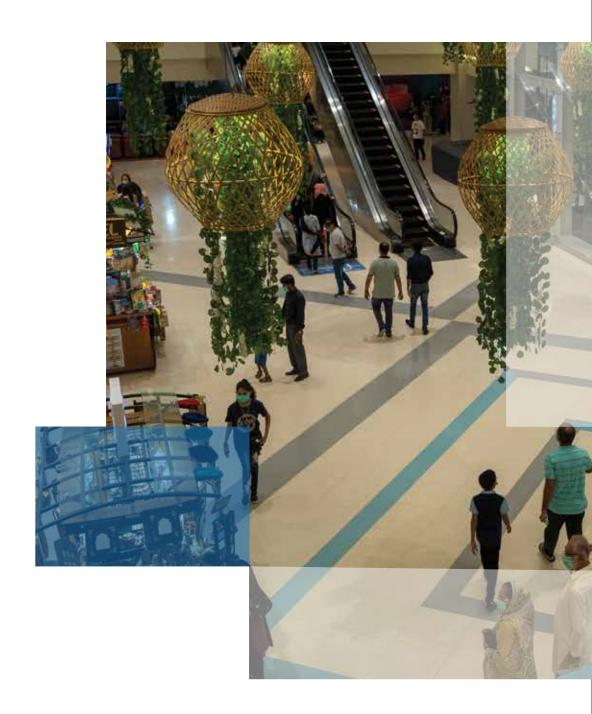
# **REITS IN PAKISTAN**

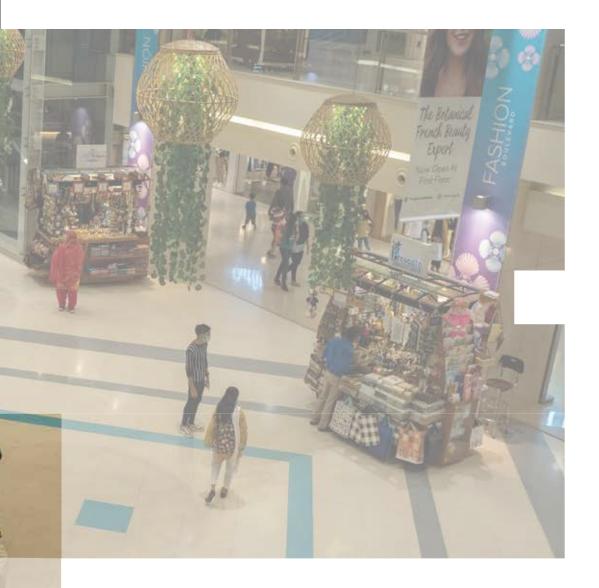
REIT Regulatory Framework in Pakistan was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, subsequently replaced by REIT Regulations 2015 as amended in 2018. These regulations are comprehensive with the principal focus on the protection of investors' interests. A "REIT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





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### **SCHEME'S INFORMATION**

Management Company

Arif Habib Dolmen REIT Management Limited

**Board of Directors** 

Mr. Nasim Beg Chairman Mr. Nadeem Riaz Director

Mr. Qamar Hussain Independent Director
Mr. Naeem Ilyas Independent Director
Ms. Tayyaba Rasheed Independent Director
Mr. Abdus Samad A. Habib Director

Mr. Abdus Samad A. Habib Director
Mr. Faisal Nadeem Director
Mr. Sajidullah Sheikh Director

Mr. Muhammad Ejaz Chief Executive Officer

**Audit Committee** 

Mr. Qamar Hussain Chairman
Mr. Abdus Samad A. Habib Member
Mr. Naeem Ilyas Member

Human Resource & Remuneration Committee

Ms. Tayyaba Rasheed Chairperson
Mr. Abdus Samad A. Habib Member
Mr. Faisal Nadeem Member
Mr. Muhammad Ejaz Member

Other Executives Mr. Razi Haider CFO & Company Secretary

Mr. Muneer Gader Head of Internal Audit & Compliance

Trustee Central Depository Company of Pakistan Limited

CDC House, 99-B, Block B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi.

Share Registrar CDC Share Registrar Services Limited

CDC House, 99-B, Block B, S.M.C.H.S,

Main Shahrah-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

National Bank of Pakistan

External Auditors KPMG Taseer Hadi & Co.

Chartered Accountants

Sheikh Sultan Trust Building No 2

Beaumont Road, Civil Lines, Karachi, 75530

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 Tristar International Consultant (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"



### 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' 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 September 30, 2021 of financial year 2021-22.

### Overview

FY2022 is predicted to be an year of moving back to normal life as last year was a challenging year for consumer sentiments and, resultantly, for the economy owing to the ongoing COVID-19 pandemic. By prudently implementing robust measures, Pakistan has effectively controlled infection cases and has catalysed economic recovery.

DCR continues to deliver strong results. DCR's performance, property management and its close relationship with tenants is evident through maintenance of AAA (rr) – rating (highest investment

quality and highest degree of stability in NAV) by the Rating agency and Shariah compliance certification by the Shariah advisor.

### Response to the Outbreak of COVID-19

The spread of Coronavirus across the globe had caused disruptions to all businesses and economic activities. In Pakistan also the retail sector faced an unprecedented challenge with lock-down imposed in all places of business. However the situation has been returning back to normal with vaccines coming into play.

Efforts were also intensified to strengthen our valuable, long term tenant relationships by proactively negotiating contracts to support tenant retention in these challenging times. Tenants at both the Dolmen City Mall and the Harbour front office building were provided with rental waivers from month to month after carefully assessing the overall situation. Rental waivers provided to tenants of the Mall and Harbour Front during the period July to September 2021 are as follows:

Month	Dolmen Mall Clifton	The Harbor Front
July	0%	0%
August	25%	0%
September	0%	0%

**Note:** The above discount will not apply to operational tenants who are providing essential services. Discount to food outlets and entertainment areas vary based on the resumption of their businesses in line with the directions of the government.

### **Financial Performance**

During the period under review, DCR recorded rental income of PKR 770.38 million as compared to PKR 602.78 million in the corresponding period last year, an increase of 27.8%, which, is a result of gradual revival of economy from impacts of COVID-19. Marketing income was recorded at PKR 39.69 million as compared to PKR 16.94 million. Administrative and operating expenses during the period were 12.74% of rental income at PKR 98.17 million. Net Operating Income 'NOI' for the period was recorded at PKR 711.89 million as compared to PKR 519.62 million in the corresponding period with an increase of 37%. Profit on deposits for the period were recorded at PKR 22.12 million as compared to PKR 18.31 million in the corresponding period.

Profit for the period was recorded at PKR 705.86 million, increased by 27.4% from PKR 554.13 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 0.3174 per unit for the quarter, against PKR 0.2492 per unit in the corresponding period.

### **Operational Performance**

DCR's real estate has witnessed consistent occupancy levels since inception in 2015. Occupancy at the end of September 2021 was 94.6% (June 30 2021: 94.7%).

While rent waivers provided by the management resulted in lower rental income we view this as an investment and look forward to more robust performance in the coming quarters. The payoff of this investment in tenant retention is being proven by a reduction in the percentage of monthly rent waivers and new tenants coming in including Sohaye, Lulusar, Tesoro among others. Tenancy strategy is focused on encouraging footfall and retail spending through selecting tenants that help each other increase sales by creating buyer synergy resulting in higher overall sales volumes from mall operation. Space for new tenants who create value for the overall tenancy mix based on consumer goods formats has been created by outgoing large tenants including Debenhams, Hobo, and others.

Lease Occupancy	Leasable Area	Leased Area September, 2021	Vacant Area September, 2021	Occupancy%
		(in square feet)		
Dolmen Mall Clifton	547,924	530,263	17,661	96.8%
The Harbour Front	256,724	231,268	25,456	90%
Total	804,648	761,531	43,117	94.6%

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

Lease Occupancy	Leased Area September, 2021	Leased Area June, 2021	Occupancy variations	Occupancy Variation %	
		(in square feet)			
Dolmen Mall Clifton	530,263	527,118	3,145	0.6%	
The Harbour Front	231,268	234,946	(3,678)	(1.6%)	
Total	761,531	762,064	(533)	(0.1%)	

### **Marketing Activities**

Marketing and branding activities together with resumption of public confidence amidst weakening pandemic, kept the Mall bustling with growing footfall during the period under review.

Footfall for the Quarter ended September 30, 2021				
Month	*Daily Average	Month		
July	20,179	484,302		
August	21,380	320,693		
September	18,982	493,531		

<sup>\*</sup> Calculated on basis of operational days.

The Property Manager played an instrumental role in maintaining the goodwill and brand image of Dolmen City and enticed Karachi'ites to visit, shop and be part of the Dolmen Mall experience.

### Eid Ul Adha:

Eid UI Adha is one of the most auspicious religious festival across the country. The word itself translates to the festival of sacrifice. The purpose of the campaign is to infuse the festivities of Eid in mall through thematic ambiance and to take the opportunity of high footfall days to enhance and improve customer. This year the mall went into the extensive thematic decorations.

### **Independence Day:**

14th August, Independence Day celebrations is one of the most important and anticipated event every year in all the Dolmen Malls. However this year, due to crisis and government restrictions, we held comparatively low celebrations. To ensure all SOPs, we limited the event to photo-ops & thematic mall ambiance and cancelled all engagement options. The plan was to give a smile and patriotic feel to our customers during such a time. The customers were given chance to win exciting prizes through the lucky draws and social media of Dolmen Malls.

### **Defense Day:**

6th September- Defense Day is celebrated in memory of the sacrifices the Pakistani armed forces made in the war of 1965. We had celebrated the event with full zeal and enthusiasm by utilizing the current decorations and setups of Independence day wisely. The activities that took place during the events were:

- Typography Photo Exhibition
- Kids Art Competition

### **Dolmen Wheels on Show:**

The Dolmen Wheels on Show turned out to be the most interactive event of the 2021. Despite the COVID fear, the customers gave huge appreciation to event while observing the governmental SOPs.

The Idea behind 'Dolmen Auto Show' was to create an exhibition of cycles, cars, bikes, and other motor vehicles throughout the Mall to invite & engage Auto Fans and enthusiastic to provide them with an opportunity to explore different car services brands, vintage cars exhibition, luxury bikes & cycles options under one roof.

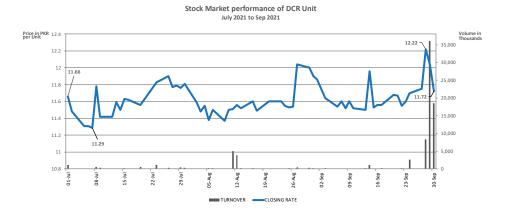
The event consisted the below:

- Display of super & vintage classic cars
- Cars Accessories
- Display of super bikes
- Spin the wheel and win lucky prizes

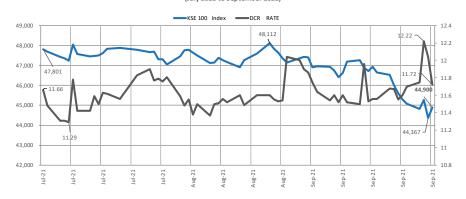
### **Stock Performance**

During the quarter under review, the stock of 'DCR' traded at an average unit price of **PKR 11.63** and touched a high of **PKR 12.22** and a low of **PKR 11.29** per unit. During the same period KSE100 index moved in the range between **44,366.74** to **48,112.21**. The stock of DCR remained stable with beta of **0.61** (which means for every **1** rupee change in the value of a share in the benchmark; DCR price would likely change by only **0.61** paisa, beta here represents low volatility and elasticity).

The Net Asset Value 'NAV' per Unit of DCR is **PKR 25.81** at the quarter ended on 30 September 2021 and was **PKR 25.82** as at 30 June 2021. DCR on its closing Unit price of **PKR 11.72** on 30 September 2021 traded at a discount of **54.6%** to its NAV.



### DCR versus KSE 100 Index (July 2021 to September 2021)



### **Dividend Distribution**

The board of directors have declared and approved an interim cash dividend for the quarter ended 30 September 2021 at **PKR 0.33 per unit**. It will translate into annual dividend yield of 13.2%. 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 Friday, 29 October 2021.

### **Business Environment**

Karachi is one of the fastest growing cities in Pakistan, as such the demand for commercial space, both office and retail has generally seen an upward trend. Events over the last year however have placed real estate demand under pressure with rising cost of doing business, currency devaluation and uncertainty over real estate tax legislation. This was exacerbated by the economic slowdown caused by the onset of Coronavirus.

The supply of both office and retail space has remained slow with planned augmentation mostly stalled due to caveats introduced by Sindh High Court on land use conversion from residential designations to commercial. As such, developments are expected to proceed only on 'by birth' commercial properties. As such, we do not see competitive augmentation to supply during the upcoming fiscal year.

Financial institutions have been the major demand generators for office space and this demand has been channelled to dedicated, self-occupied developments.

With potential addition to supply stalling in the planning and construction phases, DCR office and retail components are considered to be the best managed commercial real estate in the country and demand is expected to remain steady.

### Outlook

As the government eases restrictions on public developments, both office and retail with the comprehensive prescribed SOPs in place, economic tightening is also seen to start easing up as businesses are given relief in terms of taxation and ease of operations. Several incentives are proposed and introduced to support the economy which we anticipate being translated to more demand for office space.

With professional property management, long lease expiries, extensive marketing activities, a healthy tenant mix and strong landlord tenant relationships and support during COVID times, we remain confident that Dolmen City will remain the destination of choice for shoppers, retail operators and corporations alike.

Going forward, rental escalations would be the prime revenue driver with the mall at optimal occupancy. By international standards, maximum occupancy of a mall is considered to be around 90% of the leasable area as tenancy is fluid and an element of vacancy is imperative to accommodate new tenants.

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

### Acknowledgment

We are thankful to DCR's valued investors, the Securities and Exchange Commission of Pakistan, the management of Pakistan Stock Exchange, the Trustee 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 18 October 2021 Nasim Beg Chairman

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office:

CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahra-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, 2021.

We would like to draw the attention of the unit holders towards the fact that gross revenue earned are lower than the revenue projections given in the business plan for the quarter ended September 30, 2021 due to multiple COVID discounts given by the Management Company to maintain tenant occupancy level.

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: October 28, 2021







### **CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2021

400570	Note	Unaudited 30 September 2021 (Rupees	Audited 30 June 2021 s in '000)
ASSETS Non - current assets			
Total non - current assets - Investment property	6	56,334,197	56,334,197
Current assets			
Rent receivables	7	191,979	160,917
Short term deposit, prepayments and other assets	8	227,534	206,607
Profit accrued		4,189	7,489
Short-term Investment	9	1,040,729	640,729
Bank balances	10	307,506	734,285
Total current assets		1,771,937	1,750,027
Total assets		58,106,134	58,084,224
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		35,159,094	35,187,053
Total unit holders' fund		57,396,094	57,424,053
Total diff. Holders Talla		37,330,034	37,424,000
Liabilities			
Non - current liabilities			
Security deposits		257,665	245,671
Total non - current liabilities		257,665	245,671
Current liabilities			
Payable to REIT management company	11	25,820	25,113
Security deposits		165,423	160,312
Accrued expenses and other liabilities	12	248,883	217,275
Unclaimed dividend		12,249	11,800
Total current liabilities		452,375	414,500
Total unit holders' fund and liabilities		58,106,134	58,084,224
		(Rup	ees)
Net assets value per unit		25.81	25.82

### **CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**Chief Financial Officer Chief Executive Officer**  Director

### CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Note	30 September 2021	30 September 2020
			s in '000)
		(паросс	,  000)
Rental income		770,383	602,781
Revenue from marketing activities		39,687	16,943
		810,070	619,724
Administrative and operating expenses	14	(98,174)	(100,101)
Net operating income		711,896	519,623
Other income	15	22,121	55,057
Other income	13	734,017	574,680
		754,017	374,000
Management fee	11.1	(21,357)	(15,589)
Sindh Sales Tax on management fee	11.1	(2,776)	(2,027)
Trustee remuneration	12.1	(3,559)	(2,598)
Sindh Sales Tax on trustee remuneration	12.1	(463)	(338)
		(28,155)	(20,552)
Profit before taxation		705,862	554,128
Taxation	16		
Profit after taxation	10	705.862	554,128
Tront and taxation		100,002	001,120
		(Rup	oees)
Earnings per unit - Distributable income		0.3174	0.2492
Earnings per unit - Undistributable income / Unrealised fair value gains		-	-
Earnings per unit - Basic and diluted	18	0.3174	0.2492

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	30 September 2021	30 September 2020
	(Rupees	s in '000)
Profit after taxation for the period	705,862	554,128
Other comprehensive income	-	-
Total comprehensive income for the period	705,862	554,128

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

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Chief Financial Officer Chief Executive Officer

Director

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Note	30 September 2021 (Rupees	30 September 2020 s in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax Adjustments for non cash items:		705,862	554,128
Profit on deposits Reversal of accruals - expenses no more payable	15 15	(22,121)	(18,308) (36,749)
Working capital changes (Increase) / decrease in current assets		683,741	499,071
- Rent receivables - Short term deposit, prepayments and other assets		(31,062) (19,789)	6,666 (7,790)
Increase / (decrease) in current liabilities - Payable to the REIT management company		707	10,963
Security deposits received- net     Accrued expenses and other liabilities		17,105 31,608	3,872 (76,687)
Cash generated from operations		682,310	436,095
(Tax withheld) / tax refunds net		(1,138)	63,123 499.218
Net cash generated from operating activities  CASH FLOWS FROM INVESTING ACTIVITIES		681,172	499,218
Profit on deposits received     Short-term investments		25,421 40,729	22,912
Net cash generated from investing activities		66,150	22,912
CASH FLOW FROM FINANCING ACTIVITY			
Net cash used in financing activities - Dividend paid		(733,372)	(447,895)
Net increase in cash and cash equivalents during the period Cash and cash equivalents at beginning of the period	19	13,950 1,334,285	74,235 1,113,362
Cash and cash equivalents at end of the period	19	1,348,235	1,187,597

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

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**Chief Financial Officer** 

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# CONDENSED INTERIM STATEMENT OF CHANGES IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Issued, subscribed and	Reserves			Reserves		Res		Unit holders'
	paid up Unitholders' fund	Capital R		Revenue Reserves	Total	fund			
		Premium on issue of units - net	Fair Value Reserve Note 18.1.1	Unappropriated profit					
			(Rupees	in '000)					
Balance as at 30 June 2020	22,237,000	281,346	28,176,476	587,551	29,045,373	51,282,373			
Transactions with owners									
Cash dividend for the year ended									
30 June 2020 (Rs. 0.20 per unit)	-	-		(444,740)	(444,740)	(444,740)			
Total comprehensive income for the									
period - profit for the period	=		-	554,128	554,128	554,128			
Balance as at 30 September 2020	22,237,000	281,346	28,176,476	696,939	29,154,761	51,391,761			
Balance as at 30 June 2021	22,237,000	281,346	34,097,197	808,510	35,187,053	57,424,053			
Transactions with owners									
Cash dividend for the year ended									
30 June 2021 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)			
Total comprehensive income for the									
period - profit for the period	_	_	_	705,862	705,862	705,862			
Balance as at 30 September 2021	22,237,000	281,346	34,097,197	780,551	35,159,094	57,396,094			

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

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**Chief Financial Officer** 

**Chief Executive Officer** 

Director

### STATUS AND NATURE OF BUSINESS

1.1 Dolmen City REIT (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 Depositary 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 2021 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 started its commercial activities on 01 June 2015. The Scheme is the subsidiary of International Complex Projects Limited (ICPL). As at 30 September 2021, ICPL directly holds 75 percent units of the Scheme. The Board of Directors of the ICPL in its meeting held on March 02, 2021 has approved the reorganization / re-arrangement of the Dolmen Group comprising restructuring of ICPL. The arrangement shall become effective on 01 July 2021 or any other date approved by the Court as per order passed by the High Court of Sindh. The Court order is pending to date and when the arrangement is effective, the units held by ICPL shall be transferred to its associated undertakings as envisaged in the said Scheme.

### 2 BASIS OF PREPARATION

- 2.1 These 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.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Scheme for the year ended 30 June 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Scheme.

The comparatives in the condensed interim statement of financial position as at 30 September 2021 have been extracted from the audited financial statements of the Scheme for the year ended 30 June 2021, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in unit holders' fund and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Scheme for the three months period ended 30 September 2020.

These condensed interim financial statements are being submitted to the unit holders as required by the 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 stated at fair value.

### 2.3 Functional and presentation currency

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2021 except for certain accounting and reporting standards which became effective for annual period beginning on or after 01 July 2021. 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 2021 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 these condensed interim financial statements.

### 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 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 30 June 2021.

### 5 RISK MANAGEMENT

INVESTMENT DRODERTY

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 2021.

Note

Unaudited

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U	INVESTMENT FROFERIT	HOLE	Offadulted	Addited
			30 September	30 June
			2021	2021
		(Rupees in '00		in '000)
	Carrying amount at beginning of the period		56,334,197	50,413,476
	Add: Change in fair value of investment property			
	- unrealised gain		-	5,920,721
	Carrying amount at end of the period	6.1	56,334,197	56,334,197

6.1 The Investment property comprises of the buildings named as the "DOLMEN CITY MALL" and the "HARBOUR FRONT", comprising of two Basements (460,438 square feet), Ground floor (241,052 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) 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 Tristar International Consultant (Private) Limited ('the Valuer') as at 30 June 2021 and as at 31 December 2020. 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 are summarised below:

	30 June 2021	31 December 2020
	(Rupees	in 000)
Cost approach	33,165,329	31,289,284
Sales comparison approach	70,951,198	66,309,531
Income capitalisation approach - using capitilisation rate of 6% (31 December 2020: 6%)		
(a) Valuer's assessment of rental income	57,168,543	55,227,481
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the		
vacant area	56,334,197	52,541,347

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. The valuer in its valuation report has stated that out of three approaches identified in REIT Regulations, 2015 "income capitalisation approach" is the most appropriate approach used for income producing properties i.e. rental properties. The valuer has determined two values under income capitalisation approach as stated above, however recommended that the valuation on 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 capitalisation approach using 6% capitalisation rate on projected NOI based on the existing rental agreements and expected rent for the vacant area.

The forced sales value of the investment property is assessed to be Rs. 56,760.959 million (31 December 2020; Rs.53.047.625 million).

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

### Sensitivity analysis

Change in each of the below significant unobservable input would have effect on fair value of investee properties as shown below. The analysis assumes that all other variables remain constant and is performed on the same basis as for audited financial statements for the year ended 30 June 2021.

	30 June 2021	
	Change	Effect on
	in input	fair value
		(Rupees in '000)
<ul> <li>Projected income (based on existing leasing contracts)</li> </ul>	+ 5%	3,308,165
<ul> <li>Projected income (based on existing leasing contracts)</li> </ul>	- 5%	(3,308,165)
- Projected operating costs	+ 5%	(491,455)
- Projected operating costs	- 5%	491,455
- Capitalization rate	+ 1%	(8,047,742)
- Capitalization rate	- 1%	11,266,839

7	RENT RECEIVABLES - Unsecured	Unaudited 30 September 2021 (Rupeer	Audited 30 June 2021 s in '000)
	Rent receivables Loss allowance	233,134 (41,155) 191,979	202,072 (41,155) 160,917
8	SHORT TERM DEPOSIT, PREPAYMENTS AND OTHER ASSETS		
	Unsecured - Considered good Security deposit Prepayments and advances Advance tax	959 21,306 205,269 227,534	959 1,517 204,131 206,607
	Considered doubtful - unsecured	4,728 232,262	<u>4,728</u> 211,335
	Less: Provision for doubtful balances	(4,728) 227,534	(4,728) 206,607

### 9 SHORT-TERM INVESTMENTS

These represent term deposit receipts with Islamic banks and carry expected profit rates ranging from 6.75% to 7.5% (June 30, 2021: 6.75% to 7.3%) per annum with maturities ranging from one to six months. These also include security deposits received by the Scheme from tenants which are kept in a separate bank account.

10	BANK BALANCES	Note	Unaudited 30 September 2021 (Rupees	Audited 30 June 2021
	Saving accounts	10.1	307,506 307,506	734,285 734,285

10.1 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.50% to 7.15% (30 June 2021: 2.52% to 6.9%) per annum.

11	PAYABLE TO REIT MANAGEMENT COMPANY	Note	Unaudited 30 September 2021 (Rupees	Audited 30 June 2021 s in '000)
	Management fee payable		21,358	20,731
	Sindh Sales Tax		4,462	4,382
		11.1	25,820	25,113

11.1 Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding 3% 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.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	Unaudited 30 September 2021 (Rupees	Audited 30 June 2021 in '000)
	Trustee remuneration Provision for government levies	12.1	4,022 128	15,054
	Monitoring fee payable to SECP	40.0	27,796	22,237
	Payable to associated undertakings Unearned rental income Sales tax and withholding income tax	12.2	29,148 102,745 46,023	22,444 75,038 45.093
	Federal Excise Duty	12.3	11,980	11.980
	Shariah advisory fee	12.0	124	124
	Accrued expenses		15,830	16,134
	Other liabilities		6,187	7,390
			248,883	217,275

12.1 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.

12.2	Payable to Associated undertakings	Unaudited 30 September 2021	Audited 30 June 2021
		(Rupees	in '000)
	<ul><li>International Complex Projects Limited</li><li>Dolmen Real Estate Management (Private) Limited</li></ul>	1,819	1,819
	- Property Manager	27,329	20,625
		29,148	22,444

12.3 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 (30 June 2021: 11.980 million) has been maintained in the Scheme's Financial Statements.

### 13 CONTINGENCIES AND COMMITMENTS

There is no change in the status of contingencies and commitments as disclosed in the preceding annual audited financial statements as at and in the year ended 30 June 2021.

14 ADMINISTRATIVE AND OPERATING EXPENSES	Unaudited	Unaudited
	30 September	30 September
	2021	2020
	(Rupees	s in '000)
SECP Monitoring fee	5,559	5,559
Property management fee	52,186	38,707
Ancillary income collection fee	6,381	4,004
Common area maintenance charges	8,216	14,667
Legal and professional charges	2,883	11,923
Marketing expenses	5,787	5,201
Renovation expense	4,234	11,077
Shariah advisory fee	62	62
Utility expenses	204	206
Takaful fee	6,884	4,285
Property and advertisement taxes	4,361	3,119
Auditors' remuneration	651	651
Others	766	640
<u>.                                      </u>	98,174	100,101
15 OTHER INCOME		
Profit on deposit	22,121	18,308
Reversal of accrual of renovation and marketing expenses	-	36,749
	22,121	55,057

### 16 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 30 June 2022 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 these condensed interim financial statements for the period ended 30 September 2021.

### 17 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, Tristar International Consultant (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 financial statements are as follows:

17.1	Transactions during the period:	Unaudited 30 September 2021	Unaudited 30 September 2020
		(Rupees	in '000)
	International Complex Projects Limited - Holding Company - Rental income	14,077	10,024
		550,366	333,555
	- Dividend paid	550,366	333,333
	Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship		
	- Common area maintenance charges	8,216	14,667
	- Common area maintenance paid	6,762	21,681
	- Expenses incurred on behalf of Scheme	12	202
	- Reversal of accrual	-	5
	- Reimbursement of expenses incurred on behalf of Scheme	301	197
	Retail Avenue (Private) Limited - Associate due to common directorship		
	- Rental income	2,429	1,726
	Sindbad Wonderland (Private) Limited - Associate due to common directorship		
	- Rental income	1,008	5,460
		Unaudited 30 September 2021	Audited 30 June 2021
17.2	Amounts outstanding as at period end	30 September	30 June 2021
17.2		30 September 2021	30 June 2021
17.2	Amounts outstanding as at period end  International Complex Projects Limited - Holding Company - Rent receivable	30 September 2021	30 June 2021
17.2	International Complex Projects Limited - Holding Company	30 September 2021 (Rupees	30 June 2021 in '000)
17.2	International Complex Projects Limited - Holding Company - Rent receivable - Net payable in respect of purchase consideration of	30 September 2021 (Rupees	30 June 2021 in '000)
17.2	International Complex Projects Limited - Holding Company - Rent receivable - Net payable in respect of purchase consideration of investment property	30 September 2021 (Rupees 171	30 June 2021 in '000) 171
17.2	International Complex Projects Limited - Holding Company - Rent receivable - Net payable in respect of purchase consideration of investment property - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited -	30 September 2021 (Rupees 171	30 June 2021 in '000) 171
17.2	International Complex Projects Limited - Holding Company - Rent receivable  - Net payable in respect of purchase consideration of investment property  - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship  - Common area maintenance charges  - Expenses payable incurred on behalf of Scheme	30 September 2021 (Rupees 171 1,819 80 3,542 1,493	30 June 2021 in '000)  171  1,819  80  2,088  1,782
17.2	International Complex Projects Limited - Holding Company - Rent receivable  - Net payable in respect of purchase consideration of investment property - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship - Common area maintenance charges	30 September 2021 (Rupees 171 1,819 80 3,542	30 June 2021 in '000) 171 1,819 80
17.2	International Complex Projects Limited - Holding Company - Rent receivable  - Net payable in respect of purchase consideration of investment property  - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship  - Common area maintenance charges  - Expenses payable incurred on behalf of Scheme	30 September 2021 (Rupees 171 1,819 80 3,542 1,493	30 June 2021 in '000)  171  1,819  80  2,088  1,782
17.2	International Complex Projects Limited - Holding Company - Rent receivable - Net payable in respect of purchase consideration of investment property - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship - Common area maintenance charges - Expenses payable incurred on behalf of Scheme - Payable of withheld security deposit of tenants  Retail Avenue (Private) Limited - Associate due to	30 September 2021 (Rupees 171 1,819 80 3,542 1,493	30 June 2021 in '000)  171  1,819  80  2,088  1,782
17.2	International Complex Projects Limited - Holding Company - Rent receivable  - Net payable in respect of purchase consideration of investment property - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship - Common area maintenance charges - Expenses payable incurred on behalf of Scheme - Payable of withheld security deposit of tenants  Retail Avenue (Private) Limited - Associate due to common directorship	30 September 2021 (Rupees 171 1,819 80 3,542 1,493 458	30 June 2021 in '000)  171  1,819  80  2,088  1,782  458
17.2	International Complex Projects Limited - Holding Company - Rent receivable  - Net payable in respect of purchase consideration of investment property - Payable against purchase of equipment for maintenance  Dolmen Real Estate Management (Private) Limited - Asociate due to common directorship - Common area maintenance charges - Expenses payable incurred on behalf of Scheme - Payable of withheld security deposit of tenants  Retail Avenue (Private) Limited - Associate due to common directorship - Rent receivable  Sindbad Wonderland (Private) Limited - Associate due to	30 September 2021 (Rupees 171 1,819 80 3,542 1,493 458	30 June 2021 in '000)  171  1,819  80  2,088  1,782  458

18	EARNINGS PER UNIT - BASIC AND DILUTED	Note	Unaudited 30 September 2021 (Rupees	Unaudited 30 September 2020 5 in '000)
	Profit after taxation		705,862	554,128
	Weighted average number of ordinary		(Number	of Units)
	units during the period		2,223,700,000	2,223,700,000
			(Rup	oees)
	Earnings per unit - Basic and diluted	18.1	0.3174	0.2492
18.1	Earnings per unit comprises as follows:			
	Distributable income - earnings per unit Undistributable unrealised fair value gains -		0.3174	0.2492
	earnings per unit	18.1.1	0.3174	0.2492

**18.1.1** 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.

	gain net off expenses. Accordingly, unrealised fair value gain is not distributable.			
19	CASH AND CASH EQUIVALENTS	Note	(Unaudited) 30 September 2021	(Audited) 30 June 2021 s in '000)
13			(Hupees	s III 000 <i>)</i>
	Short-term investment	9	1,040,729	600,000
	Bank balances	10	307,506	734,285
			1,348,235	1,334,285

### 20 FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in 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.

Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair values 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.

Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

### 21 IMPACT OF COVID-19 ON THE SCHEME'S OPERATIONS

In Pakistan, the businesses in general and retail sector in particular is facing an unprecedented challenge arising out of situation due to COVID-19. Initially, it was expected to be a short term aberration. However, the situation has not only persisted for far longer than anticipated but also the associated uncertainties continue unabated. The businesses, while complying with the Government's directives, have lost their entire revenue stream from the retail outlets. Similarly, amidst this pandemic, a number of office-building tenants are promoting the culture of work-from-home and considering it unsafe to return to office premises as per their health and safety standards. Even when the Malls were allowed to reopen, tenants were not able to restore their businesses fully and their sales were significantly impacted due to curbs and SOP's placed by the provincial government.

The mall management responded by intensifying customer engagement through digital platforms to encourage footfall and retail sales upon reopening with the implementation of prescribed customer safety protocols. Efforts were also intensified to strengthen the valuable, long term tenant relationships by proactive negotiations to support tenant retention in these challenging times. Tenants at both the Dolmen City Mall and the Harbour Front office building were provided with rental waivers from month to month after carefully assessing the overall situation. Consequently, the Scheme has continued to provide waivers to its tenants which resulted in decrease of rental income approximately by Rs. 167.23 million during the period ended September 30, 2021.

As a result of tight control measures, efforts to curtail the spread of virus have been successful enabling businesses to recover and with professional property management, extensive marketing activities and renowned tenants, Scheme remains confident that Dolmen City Mall and the Harbour Front will remain the destination of choice for shoppers, retail operators and corporations alike.

### 22 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors of the RMC in their meeting held on 18 October 2021 have declared and approved an interim cash dividend for the quarter ended 30 September 2021 of Re. 0.33 per unit amounting to Rs 733.821 million. These condensed interim financial statements do not include the effect of above announcement which will be accounted for in the period in which it is approved.

### 23 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the RMC on 18 October 2021.

Chief Financial Officer

Chief Executive Officer



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