



ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

DOLMEN CITY REIT

BUILDING
ON SUCCESS

Quarterly Report for the period
ended 31 March 2017

About REITs

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

REITs in Pakistan

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was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015.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

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

Rental REIT: A Rental REIT Scheme invests in commercial or residential Real Estate to generate rental income.

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



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Scheme's Information

Management Company

Arif Habib Dolmen REIT Management Limited
Arif Habib Centre, 23 M.T. Khan Road, Karachi

Board of Directors

Mr. Nasim Beg
Mr. Nadeem Riaz
Mr. Asadullah Khawaja
Mr. Qamar Hussain
Mr. Abdus Samad A. Habib
Mr. Faisal Nadeem
Mr. Muhammad Ejaz

Chairman
Director
Independent Director
Independent Director
Director
Director
Chief Executive Officer

Audit Committee

Mr. Qamar Hussain
Mr. Abdus Samad A. Habib
Mr. Asadullah Khawaja

Chairman
Member
Member

Human Resource & Remuneration Committee

Mr. Nadeem Riaz
Mr. Abdus Samad A. Habib
Mr. Muhammad Ejaz

Chairman
Member
Member

CFO & Company Secretary

Mr. Muneer Gader

Trustee/Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, SMCHS
Main Shahrah-e-Faisal, Karachi.

Bankers

Askari Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
United Bank Limited
Allied Bank Limited
Bank Alfalah Limited

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2
Beaumont Road, Karachi

Internal Auditors

Junaldy Shoalb 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

Mufti Muhammad Ibrahim Essa

Rating Agency

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

Rating

RMC Rating: AM2 (RMC)
REIT Rating: RRI

Registered Office

Dolmen City REIT Scheme
Arif Habib Centre, 23 M.T. Khan Road, Karachi.



Management Company's Statements

Vision

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

Mission

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

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

Values

Responsibility
Energy
Integrity
Teamwork








Directors' Review Report

Dear Unitholders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, I am pleased to present the Directors' Review Report, Condensed Interim Financial Information and other statutory report thereon for the nine months period and quarter ended 31 March 2017 of Dolmen City REIT (DCR).





Operational Performance during the Period under Review

During the nine months period under review, DCR recorded a rental income of PKR 2,108 million (PKR 736 million for the third quarter) showing an increase of 13.82% over the corresponding period. Marketing income was recorded at PKR 108 million (PKR 34 million for the third quarter) against PKR 86 million during the corresponding period. Administrative and operating expenses during the period were 13.27% of rental income at PKR 280 million. Net Operating Income for the period was recorded at PKR 1,937 million (PKR 685 million for the third quarter) compared with PKR 1,703 million during the corresponding period.

Profit for the period before change in fair value of investment property was recorded at PKR 1,946 million, growing by 15.04%, from PKR 1,692 million in the comparative period; DCR is pass through entity for tax purposes and not liable to income tax provided it meets certain conditions. The profit translates into earnings of PKR 1.34 per unit (PKR 0.31 per unit for the third quarter) against PKR 1.52 per unit during the corresponding period. The EPU comprises of distributable income of PKR 0.88 (March 31, 2016: PKR 0.76) and PKR 0.46 (March 31, 2016: PKR 0.76) being un-distributable unrealised fair value gains.

Operational Performance during the Period under Review

Occupancy level of the properties improved in the third quarter to reach at aggregate 99.74% compared with 99.68% in the second quarter. Current vacancy at Dolmen City Mall is 2,092 square feet which pertains to the tenancy of only storage spaces. During the third quarter, A.K. Marketing's brand Splash became part of the tenancy pool, whereas Junaid Jamshed have rented out additional storage space in the Mall. Further Ensemble Pakistan (Private) Limited is the outgoing tenant during the quarter. The current status of occupancy is as follows:

	Leasable Area	Leased Area March, 2017	Vacant Area	Occupancy %
	(In square feet)			
Dolmen Mall Clifton	554,426	552,334	2,092	99.62%
The Harbour Front	257,161	257,161	-	100.00%
Total	811,587	809,495	2,092	99.74%

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

	Leased Area March, 2017	Leased Area December, 2016	Occupancy Variations	Occupancy Variation %
	(In square feet)			
Dolmen Mall Clifton	552,334	551,807	527	0.096%
The Harbour Front	257,161	257,161	-	-
Total	809,495	808,968	527	0.065%

During the quarter in review, the REIT Management Company 'RMC' of DCR appointed MYK Associates (Private) Limited as Valuer of the Scheme for a period of three years; after the term of agreement with National Engineering Services Pakistan (Pvt) Limited 'NESPAC' expired in February 2017. The new Valuer shall conduct its first Valuation of REIT Assets in June 2017.

A number of marketing and recreational events were showcased at the Dolmen City Mall under different initiatives

during the third quarter ended on March 31, 2017. Mall with a heart, Dolmen Cares, Celebrations of Love were some of the themed initiatives. Notably the Women's day and Pakistan Day celebrations generated commendable footfall.

January 2017 Initiatives:

Dolmen invited vendors of Karachi Eat Festival and provided them with space to sell their ready to eat food when due to heavy rainfall the festival was

postponed. This was the talk of the town, we got all organic trending on social media.

Children part of the Special Olympics Pakistan were invited to spend a day at the mall as a kind gesture and to wish them good luck for their marathon. This initiative was under the umbrella of Dolmen Cares. The recorded footfall for the month of January was 871,052 depicting an increase of 8.2% from year 2016.

February 2017 Initiatives:

Mall was thematically decorated to give customers an ambiance for celebration of love. A perfect match shopping guide was made for people to help them buy gifts for their loved ones. Dolmen Bazaar was also part of this activity.

The food court was thematically decorated to spread the love for cricket. During the entire duration of PSL, screens were placed in food court. These screens were provided by our tenant Sony. A video & a guide was also made to create the pre-hype of the screening and promote food court deals. The overall footfall recorded for the month of February was 727,614.

March 2017 Initiatives:

Women's Day is one of the signature events of Dolmen. It was a 3 day event starting from 6th to 8th March. Women's Day brought together leading international and local brand discounts and deals, different engaging activities and offers. A small meet & greet session of Women entrepreneurs was held where they shared their inspiring stories amongst each other. The motivation was to reach out to these influential women circle. There was 11.7% increase in the footfall from last year which was recorded at 28,158.

Dolmen Mall celebrates 23rd March every year with full swing. This year;

Dolmen celebrated Pakistan Day throughout the week from 20th March till 26th March. Our tenant Interwood also placed Pakistan themed setup in Designer Avenue which created a lot of traction and visitors to their outlet. There was 14.4% increase in the footfall from last year which was recorded at 43,062.

Acknowledgement

We are grateful to DCR's valued investors, the Securities & 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
26 April 2017



**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
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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 Scheme) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Scheme has in all material respects complied with the requirements of the Real Estate Investment Trust Regulations, 2015 during the quarter ended March 31, 2017.

For the purpose of information, we would like to draw the attention of unit holders towards the fact that value of property as on December 31, 2016 has been carried forward for the quarter ended March 31, 2017 based on six monthly valuation as per the requirement of REIT Regulations, 2015 and the Accounting Policy of the Scheme. Further, Note 6.1 to the financial statements for the six months period ended December 31, 2016 reviewed by the statutory auditor explained the valuation of property, done in the light of REIT Regulations 2015. However, the Auditors of the Scheme while referring to aforesaid Note 6.1 had included an emphasis of matter paragraph in their Review Report.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: April 26, 2017



Condensed Interim Financial Information for the
nine months period and Quarter ended 31 March 2017



DOLMEN CITY REIT

A SHARIAH COMPLIANT, LISTED, CLOSED END
RENTAL REIT SCHEME

Condensed Interim Balance Sheet

As at 31 March 2017

	Note	Unaudited 31 March 2017	Audited 30 June 2016
(Rupees in '000)			
ASSETS			
Non - current assets			
Total non - current assets - Investment property	6	38,685,714	37,658,988
Current assets			
Rent receivables	7	130,482	85,355
Advances, prepayments and other receivables		265,574	256,395
Profit receivable		18,622	58,317
Investments		-	700,000
Bank balances	8	2,452,159	2,126,862
Total current assets		2,866,837	3,226,929
Total assets		41,552,551	40,885,917
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:			
Premium on issue of units		281,346	281,346
Unappropriated profit		18,403,053	17,742,680
Total unit holders' fund		40,921,399	40,261,026
Liabilities			
Non - current liabilities			
Formation costs payable to REIT management company		105,255	160,171
Security deposits		109,658	137,559
Total non - current liabilities		214,913	297,730
Current liabilities			
Payable to REIT management company	9	79,879	77,725
Security deposits		114,965	46,709
Accrued expenses and other liabilities	10	221,395	202,727
Total current liabilities		416,239	327,161
Total unit holders' fund and liabilities		41,552,551	40,885,917
(Rupees)			
Net assets value per unit		18.40	18.11
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 17 form an integral part of the condensed interim financial information.



Chief Executive Officer



Director

Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period and quarter ended 31 March 2017

Note	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
----- (Rupees in '000) -----				
Income				
Rental income	2,108,273	1,852,301	735,524	651,673
Marketing income	108,123	85,804	34,080	28,092
	2,216,396	1,938,105	769,604	679,765
Administrative and operating expenses	12 (279,785)	(235,029)	(84,513)	(74,873)
Net operating income	1,936,611	1,703,076	685,091	604,892
Other income - profit on deposits	82,808	68,312	30,051	31,013
	2,019,419	1,771,388	715,142	635,905
Management fee	9 (58,098)	(51,092)	(20,552)	(18,146)
Sindh Sales Tax on management fee	9 (7,553)	(8,297)	(2,672)	(2,947)
Federal Excise Duty on management fee	10.3 -	(8,175)	-	(2,904)
Trustee remuneration	10.1 (9,683)	(8,515)	(3,425)	(3,024)
Sindh Sales Tax on trustee remuneration	10.1 (1,259)	(1,192)	(446)	(423)
Reversal of provision for Workers' Welfare Fund	10.2 3,469	-	-	-
Charity expense	-	(2,236)	-	(2,236)
	(73,124)	(79,507)	(27,095)	(29,680)
Profit before change in fair value of investment property	1,946,295	1,691,881	688,047	606,225
Change in fair value of investment property	6 1,026,726	1,691,164	-	-
Profit before taxation	2,973,021	3,383,045	688,047	606,225
Taxation	13 -	-	-	-
Profit after taxation	2,973,021	3,383,045	688,047	606,225
----- (Rupees) -----				
Earnings per unit - Distributable income	0.88	0.76	0.31	0.27
Earnings per unit - Undistributable unrealised fair value gains	0.46	0.76	-	-
Earnings per unit - Basic and diluted	1.34	1.52	0.31	0.27

The annexed notes from 1 to 17 form an integral part of the condensed interim financial information.



Chief Executive Officer



Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months period and quarter ended 31 March 2017

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Profit after taxation	2,973,021	3,383,045	688,047	606,225
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,973,021	3,383,045	688,047	606,225

The annexed notes from 1 to 17 form an integral part of the condensed interim financial information.



Chief Executive Officer



Director

Condensed Interim Cash Flow Statement (Unaudited)


For the nine months period ended 31 March 2017

	Nine months period ended	
	31 March 2017	31 March 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,973,021	3,383,045
Adjustments for:		
Change in fair value of investment property	(1,026,726)	(1,691,164)
Profit on deposits	(82,808)	(68,312)
	1,863,487	1,623,569
Working capital changes		
<i>(Increase) / decrease in current assets</i>		
- Rent receivables	(45,127)	(43,899)
- Advances, prepayments and other receivables	(6,156)	2,669
<i>Increase in current liabilities</i>		
- Payable to the REIT management company	2,154	15,789
- Accrued expenses and other liabilities	18,668	54,220
Cash generated from operations	1,833,026	1,652,348
Taxes paid	(3,023)	(235,470)
Formation costs paid - net	(54,916)	(51,537)
Security deposits received - net	40,355	27,327
Net cash generated from operations	1,815,442	1,392,668
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit on deposits received	122,503	40,721
Investments in term deposit receipts	700,000	(700,000)
Net cash generated from / (used in) investing activities	822,503	(659,279)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities - Dividend paid	(2,312,648)	(169,935)
Net increase in cash and cash equivalents during the period	325,297	563,454
Cash and cash equivalents at beginning of the period	2,126,862	912,718
Cash and cash equivalents at end of the period	2,452,159	1,476,172

The annexed notes from 1 to 17 form an integral part of the condensed interim financial information.



Chief Executive Officer



Director

Condensed Interim Statement of Changes in Unit Holders' Fund (Unaudited)

For the nine months period ended 31 March 2017

	Units	Reserves		Sub total	Unit holders' fund
		Premium on issue of units	Unappropriated profit		
(Rupees in '000)					
Balance as at 30 June 2015	22,237,000	281,346	169,977	451,323	22,688,323
Transactions with owners					
Cash dividend for the period ended 30 June 2015 (Rs. 0.07642 per unit)	-	-	(169,935)	(169,935)	(169,935)
Total comprehensive income for the period					
Profit for the period	-	-	3,383,045	3,383,045	3,383,045
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	3,383,045	3,383,045	3,383,045
Balance as at 31 March 2016	22,237,000	281,346	3,383,087	3,664,433	25,901,433
Balance as at 30 June 2016	22,237,000	281,346	17,742,680	18,024,026	40,261,026
Transactions with owners					
Cash dividend for the period ended 30 June 2016 (Rs. 1.04 per unit)	-	-	(2,312,648)	(2,312,648)	(2,312,648)
Total comprehensive income for the period					
Profit for the period	-	-	2,973,021	2,973,021	2,973,021
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,973,021	2,973,021	2,973,021
Balance as at 31 March 2017	22,237,000	281,346	18,403,053	18,684,399	40,921,399

The annexed notes from 1 to 17 form an integral part of the condensed interim financial information.



Chief Executive Officer



Director

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

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 (the 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 Limited. The Scheme is rated "RR1" by JCR-VIS Credit Rating Company Limited. The registered office of the REIT Management Company is situated at Arif Habib Center, 23 M.T. Khan Road, Karachi.

- 1.2 The Scheme is the subsidiary of International Complex Projects Limited (the ICPL). As at 31 March 2017, ICPL directly holds 70 percent units of the Scheme.

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Scheme for the nine months period ended 31 March 2017 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, REIT Regulations, 2015 and directives issued by the SECP. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, REIT Regulations, 2015 or the directives issued by the SECP shall prevail.

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 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Scheme's financial position and performance since the last financial statements.

This condensed interim financial information is being submitted to the unit holders as required by listing regulations of Pakistan Stock Exchange Limited vide section 245 of the Companies Ordinance, 1984.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

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 2016.

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

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 2016.

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 2016.

6 INVESTMENT PROPERTY

	Note	Unaudited 31 March 2017	Audited 30 June 2016
(Rupees in '000)			
Carrying amount at beginning of the period		37,658,988	22,237,000
Add: Change in fair value - unrealised		1,026,726	15,421,988
Carrying amount at end of the period	6.1	38,685,714	37,658,988

- 6.1 The Investment property comprise 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) 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 National Engineering Services Pakistan (Private) Limited ('NESPAK' or 'the Valuer') as at 31 December 2016 and 30 June 2016. 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 NESPAK are summarised below:

	31 December 2016	30 June 2016
(Rupees in million)		
Cost approach	18,540	18,540
Sales comparison approach	51,946	51,946
Income capitalization approach		
(a) Valuer's assessment of rental income – using 7% capitalization rate	47,520	47,520
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	38,685	37,659

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

At the time of acquisition of investment property, the valuation of Rs. 22,000 million based on 10 percent capitalization rate on the projected Net Operating Income (NOI) was agreed. The acquisition costs (transaction value) and the Fair Value method as stated above were approved as part of the Business Plan and Offering Document by the Securities and Exchange Commission of Pakistan (SECP) on which the Scheme fund size was based. Further, SECP through its letter no. SEC/NBFC/DC/75/2015/105 dated 18 December 2015 allowed to use 10 percent capitalization rate on the projected NOI for the Dolmen City REIT real estate valuation, as already used in the Business Plan and disclosed in the Offering Document Resultantly, fair value gain of Rs. 1,691 million for the six months period ended 31 December 2015 was recognized.

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. NESPAK in its valuation report has stated that out of three approaches identified in REIT Regulations, 2015 "Income Capitalization Approach" is generally based on the principle that the value of property reflects the quality and quantity of the income it is expected to generate over time. It is the most typical approach used for income producing properties i.e. rental properties. However, as stated above, NESPAK has determined two values under Income Capitalization Approach and has not explicitly stated the value that is more appropriate to the Scheme.

The Management had requested the SECP to allow use of valuation of property based on existing rental agreements for the purpose of financial reporting (as was done at the time of the launch of the Scheme). The SECP through letter no. SCD/PRDD/REIT/AHDRML/32/2016 dated 22 September 2016 has advised the management to decide value considering objectivity and utility of the valuation under guidance available in the REIT Regulations, 2015.

The Management believes that, based on objectivity and utility, the valuation based on existing rental agreements is more appropriate and relevant to the unit holders of the Scheme as it was used at the time of acquisition of investment property and also used as at 31 December 2015 and that they have been authorised by SECP through letter dated 22 September 2016 (as stated above) to decide the valuation for Financial Reporting Purposes as at 30 June 2016.

Therefore, the Management had decided to carry value of Investment Property in the financial statements for the year ended 30 June 2016 and for the period ended 31 December 2016 on the value determined by the independent valuer under Income capitalization approach based on existing rental agreements and expected rent for the vacant area.

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

Significant unobservable inputs

	Sensitivity	
	Change in input	Effect on fair value (Rupees in '000)
- Present revenue (based on existing leasing contracts)	+ 5%	2,258,740
- Present operating costs (based on projected costs)	+ 5%	(324,463)
- Capitalization rate	+ 1%	(4,835,691)
- Capitalization rate	- 1%	6,447,588

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

7	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	Unaudited 31 March 2017 (Rupees in '000)	Audited 30 June 2016
	Unsecured - Considered good			
	Receivable from ICPL		-	2,908
	Security deposit		837	469
	Prepayments		9,100	404
	Advance tax		255,637	252,614
			<u>265,574</u>	<u>256,395</u>
8	BANK BALANCES			
	Term deposit receipts	8.1	1,500,000	1,842,859
	Saving accounts	8.2	949,923	281,767
	Current account		2,236	2,236
			<u>2,452,159</u>	<u>2,126,862</u>
8.1	This represents term deposit receipts with Islamic bank and this carry expected profit rate of 6.0% (30 June 2016: 5.63 % to 6.65%) per annum with maturity of three months.			
8.2	These represent deposits held in riba free saving accounts carrying expected profit rates ranging from 2.05% to 5.60% (30 June 2016: 2.0% to 6.35%) per annum.			
9	PAYABLE TO REIT MANAGEMENT COMPANY	Note	Unaudited 31 March 2017 (Rupees in '000)	Audited 30 June 2016
	Management fee payable		20,553	18,484
	Sindh Sales Tax		4,410	4,325
		9.1	<u>24,963</u>	<u>22,809</u>
	Current portion of formation costs		54,916	54,916
			<u>79,879</u>	<u>77,725</u>
9.1	Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of NOI of the Scheme. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) on the remuneration of RMC through Sindh Sales Tax on Service Act 2011, effective from 1 July 2014.			
10	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	Unaudited 31 March 2017 (Rupees in '000)	Audited 30 June 2016
	Trustee remuneration	10.1	10,943	13,219
	Provision for government levies		950	5,558
	Monitoring fee payable to SECP		16,678	22,237
	Payable to associated undertakings		22,129	20,024
	Unearned rental income		87,348	74,201
	Sales tax and withholding income tax		49,992	33,158
	Provision for Workers' Welfare Fund	10.2	-	3,469
	Charity payable		2,236	2,236
	Federal Excise Duty	10.3	11,980	11,980
	Takaful (insurance) fee		-	2,917
	Accrued expenses and other liabilities		16,779	12,830
	Unclaimed dividend		2,360	898
			<u>221,395</u>	<u>202,727</u>

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

10.1 The Trustee is entitled to an annual remuneration for services rendered at a rate of 0.6% of the annual NOI under the provisions of the REIT Regulations, 2015. However, the trustee agreed to charge annual remuneration at a rate of 0.5% of the annual NOI during the period.

10.2 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court (LHC), Sindh High Court (SHC) and Peshawar High Court (PHC). The Honorable Supreme Court of Pakistan (SCP) vide its judgment dated 10 November 2016, has upheld the view of LHC and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The RMC, after consultation with its legal counsel, is of the view that there hardly seems anything that could be changed in the review proceedings as the review petitions filed by FBR on the same issues that the SCP has already addressed and decided in the foregoing judgment. Accordingly, the provision made till 30 June 2015 of Rs. 3.469 million has been reversed in this condensed interim financial information.

10.3 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 recent 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) is 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. The SHC in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

The Sindh Revenue Board and the Federal Board of Revenue have filed appeals before SCP against the SHC's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million upto 30 June 2016 has been maintained. 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 no provision has been recognised in this condensed interim financial information.

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 March 2017.

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

12 ADMINISTRATIVE AND OPERATING EXPENSES

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	----- (Rupees in '000) -----			
SECP Monitoring fee	16,678	16,678	5,559	5,559
Property management fee	142,287	134,549	46,344	42,318
Ancillary income collection fee	17,357	14,457	5,249	5,048
Common area maintenance charges	7,107	5,715	493	1,720
Legal and professional charges	5,060	3,091	886	1,373
Utility expenses	812	449	272	179
Marketing expenses	35,180	23,031	6,947	8,676
Takaful fee	21,925	24,237	7,228	7,109
Property tax	7,543	8,526	4,335	1,540
Auditors' remuneration	1,833	1,227	300	506
Renovation expense	17,329	-	3,824	-
Annual Health Check survey	3,937	-	2,774	-
Others	2,737	3,069	302	845
	279,785	235,029	84,513	74,873

13 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 sufficient accounting income for the year ending 30 June 2017 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 31 March 2017.

14 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 term, determined in accordance with commercial rates.

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

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

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

14.1 Transactions during the period:

	Nine months period ended	
	31 March 2017	31 March 2016
	(Rupees in '000)	
International Complex Projects Limited		
- Rental income	28,154	25,594
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	7,107	5,715
Retail Avenue (Private) Limited		
- Rental income	5,423	4,928
Sindbad Wonderland (Private) Limited		
- Rental income	18,876	17,160

14.2 Amounts outstanding as at period end

	Unaudited	Audited
	31 March 2017	30 June 2016
	(Rupees in '000)	
International Complex Projects Limited		
- Receivable in respect of security deposits of tenants	-	2,908
- Rent receivable	171	341
- Net payable in respect of purchase consideration of investment property	1,819	1,819
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	-	331
Retail Avenue (Private) Limited		
- Rent receivable	668	613
Sindbad Wonderland (Private) Limited		
- Rent receivable	466	466

15 EARNINGS PER UNIT - BASIC AND DILUTED

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Profit after taxation	2,973,021	3,383,045	688,047	606,225
	(Number of Units)			
Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000	2,223,700,000	2,223,700,000
	(Rupees)			
Earnings per unit - Basic and diluted	15.1	1.34	1.52	0.31
			0.31	0.27

Notes to the Condensed Interim Financial information (Unaudited)

For the nine months period and quarter ended 31 March 2017

15.1 Earnings per unit comprises as follows:

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Distributable income - earnings per unit	0.88	0.76	0.31	0.27
Undistributable unrealised fair value gains - earnings per unit	0.46	0.76	-	-
15.1.1	1.34	1.52	0.31	0.27

15.1.1 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.

16 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.

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

The Scheme has not disclosed the fair values of all financial assets and financial liabilities (loans and receivables), as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonably approximation of fair value.

17 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 26 April, 2017.



Chief Executive Officer



Director



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