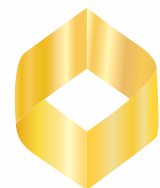


# DOLMEN CITY REIT

A SHARIAH COMPLIANT, LISTED,  
CLOSED END RENTAL REIT SCHEME  
(FINANCIAL STATEMENTS 2015)

INVESTING IN SUCCESS



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

(REAL ESTATE INVESTMENT TRUST)

## About REIT

A Real Estate Investment Trust (REIT) is an entity that owns or finances income-producing real estate. REITs are like mutual funds. 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 you purchase a stock of a company and own a share. A REIT combines a pool of money from individuals and institutions to buy real estate projects. 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 on their own.

## REIT 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Pakistan was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008 which was subsequently repealed and replaced by REIT Regulations 2015.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 investor 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 Developmental REIT A Developmental REIT Scheme invests in real estate to develop it for Industrial, Commercial or Residential purpose 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.



# Table of Contents

<b>04</b>	<b>Scheme Information</b>
<b>06</b>	<b>Vision, Mission &amp; Values</b>
<b>07</b>	<b>Directors' Profile</b>
<b>09</b>	<b>Directors' Report</b>
<b>13</b>	<b>Statement of Compliance with the Code of Corporate Governance</b>
<b>15</b>	<b>Financial Highlights</b>
<b>17</b>	<b>Statutory Reports</b>
<b>18</b>	<b>Trustee Report</b>
<b>19</b>	<b>Shariah Review Report</b>
<b>20</b>	<b>Valuation Report</b>
<b>39</b>	<b>Review Report to the Members on Statement of Compliance</b>
<b>40</b>	<b>Auditors' Report to the Unit Holders</b>
<b>41</b>	<b>Financial Statements</b>
<b>63</b>	<b>Pattern of Unit Holding</b>





## Scheme Information

<b>Management Company</b>	Arif Habib Dolmen REIT Management Limited Arif Habib Centre, 23 M.T. Khan Road, Karachi.	
<b>Board of Directors</b>	Mr. Nasim Beg Mr. Muhammad Ejaz Mr. Nadeem Riaz Mr. Assadullah Khawaja Syed Yawar Abbas Jilani Mr. Abdus Samad A. Habib Mr. Qamar Hussain	Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Qamar Hussain Mr. Abdus Samad A. Habib Mr. Assadullah Khawaja	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mr. Nadeem Riaz Mr. Abdus Samad A. Habib Mr. Muhammad Ejaz	Chairman Member Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Zia ur Rahim Khan	
<b>Trustee/Share Registrar</b>	<b>Central Depository Company of Pakistan Limited</b> CDC House, 99-B, SMCHS Main Shahrah-e-Faisal, Karachi.	
<b>Bankers</b>	Habib Bank Limited Meezan Bank Limited	
<b>External Auditors</b>	<b>KPMG Taseer Hadi &amp; Co</b> Chartered Accountants Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi	
<b>Internal Auditors</b>	<b>Junaidy Shoaib Asad &amp; Co.</b> Chartered Accountants 1/6-P, P.E.C.H.S., Mohtrama Laeeq Begum Road, Off Shahrah-e-Faisal, Karachi	
<b>Legal Advisors</b>	<b>Mohsin Tayabaly &amp; Co</b> Advocate & Corporate Legal Consultants 1 <sup>st</sup> Floor, Dime Centre, BC-4 Block 9, Kehkashan, Clifton, Karachi.	
<b>Property Manager</b>	<b>Dolmen Real Estate Management Limited</b>	
<b>Property Valuer</b>	<b>National Engineering Services Pakistan (Pvt.) Ltd</b> "NESPAK"	
<b>Shariah Advisor</b>	<b>Mufti Muhammad Ibrahim Easa</b>	
<b>Rating Agency</b>	<b>JCR-VIS</b> Credit Rating Co. Ltd. VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad, Phase VII, DHA, Karachi	
<b>Rating</b>	RMC Rating AM2- (RMC) REIT Rating RR1	
<b>Registered Office</b>	<b>Dolmen City REIT Scheme</b> 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 built 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 select group of clientele.

To endeavor that our solutions not only contribute to the financial bottom-line for our customers but also help them create a distinctive comparative advantage.

### Values

Responsibility  
Energy  
Integrity  
Teamwork



# Management Company's Board of Directors

## MR. NASIM BEG

### CHAIRMAN

Mr. Nasim Beg is the Chairman of the Company. He is also the founder Chief Executive of Arif Habib Consultancy and was the founder Chief Executive of MCB-Arif Habib Savings and Investments (formerly Arif Habib Investments Limited) and currently is its Vice Chairman. Mr. Beg serves on the Board of Summit Bank Limited, as well as on the Boards of several Arif Habib Group companies. He has extensive experience of over forty five years in industry and the financial sector, in both domestic and international markets. He is a member of the Non-Banking Financial Sector Reform Committee of the SECP and was part of its task force to develop the Voluntary Pension System. He was the founder Chairman of the SECP sponsored Institute of Capital Markets and has also been a Member of the Prime Minister's Economic Advisory Council. Mr. Beg, a Fellow Member of the Institute of Chartered Accountant of Pakistan, qualified in 1970; he also holds a Bachelor's degree in Commerce from Karachi University.

## MR. NADEEM RIAZ

### NON EXECUTIVE DIRECTOR

Mr. Nadeem Riaz has experience of over 30 years in the real estate market. He has developed and managed renowned and award winning residential, commercial and retail projects. He is a pioneer in developing state of art retail shopping malls in Pakistan, which transformed the dynamics of the retail industry. He also leads the mall management industry through his diversified skills of facilities management, retail management and leisure retail development.

Mr. Riaz is the Chairman of Dolmen Group and is also a member of both International Council of Shopping Centres (ICSC) and Middle East Council of Shopping Centres (MECSC).

## MR. SAMAD A. HABIB

### NON EXECUTIVE DIRECTOR

Mr. Samad is currently the Chief Executive of Javedan Corporation Limited. Mr. Samad has more than 15 years of experience, including 9 years of working in the financial services industry at various senior management roles. He began his career with Arif Habib Corporation Limited (the holding company of Arif Habib group) as an Investment Analyst, following which he served the company in various executive positions including Executive Sales and Business Promotions, Company Secretary, Head of Marketing, etc.

In September 2004, he was appointed the Chairman and Chief Executive of Arif Habib Limited. As Chairman he was responsible for the strategic direction of the company and was actively involved in capital market operations and corporate finance activities such as serving corporate clients, institutional clients, high net worth individuals, and raising funds for clients through IPO's, private placements etc. He resigned from that position in January 2011. Mr. Samad A. Habib holds a Master's degree in Business Administration from the Institute of Business Management (IoBM).

## MR. ASADULLAH KHAWAJA

### NON EXECUTIVE DIRECTOR

Mr. Asadullah Khawaja is currently the Chairman of Arif Habib Corporation Limited. He started his professional career with United Bank Limited where he served at various senior executive positions. Mr. Khawaja also held the additional charge as Chief Executive of Bankers Equity Limited (BEL) and National Investment Trust Limited (NITL). His foreign assignments include five years at Pakistan Embassy in London as Investment Counsellor. During his professional career he has served as Chairman Packages Ltd., Chairman Pakistan Industrial Credit and Investment Corporation (PICIC) and also the Executive Director of Pakistan Credit Rating Agency. Mr. Khawaja completed his Bachelor of Arts in 1964 from Forman Christian College, Lahore. Subsequently, he completed several local and foreign courses on banking, securities, industries management, investment analysis and portfolio management



## MR. QAMAR HUSSAIN

### INDEPENDENT DIRECTOR

Mr. Qamar Hussain had served as the President of National Bank of Pakistan (NBP), the largest Commercial Bank of the country. He holds an MBA degree in International Business & Finance from McGill University, Montreal, Canada and has undergone extensive training in business leadership abroad. Mr. Hussain started his banking career from Bank of America N.T. & S.A., Pakistan in the year 1981. Prior to joining NBP in 2009, he worked with American Express Bank Limited as Senior Director Global Credit, New York and earlier as Senior Director Country Manager, Bangladesh. He had also been associated with the CHASE MANHATTAN BANK in Pakistan and USA.

## SYED YAWAR ABBAS JILANI

### INDEPENDENT DIRECTOR

Mr. Jilani is a renowned architect and has designed several landmark projects. He has been in practice for over 27 years and is a partner at Arcop, a firm, which he helped establish in 1987. His background in Planning & Architectural design is extensive covering the fields of hospitality, institutional, educational, commercial, residential and religious projects.

He is a founding member of PANI, People and Nature Initiative. He has remained on the Board of Governors of Indus Valley School of Art & Architecture and The National College of Arts. His involvement in the project extends from strategic planning, through to concept design and construction administration. A commitment to design, quality, innovation and delivery is illustrated in his completed projects.

## MR. MUHAMMAD EJAZ

### CHIEF EXECUTIVE

Mr. Ejaz has over 20 years of experience in the fields of financial services and general management. Mr. Ejaz is a certified director and serves on the boards of several Arif Habib Group companies. He has served in senior positions at leading local and international banks and institutions including American Express, Engro, Emirates NBD, Union Bank, Faysal Bank and Saudi Pak Bank. Mr. Ejaz is a certified Financial Risk Manager (FRM) and holds an MBA degree from the Institute of Business Administration (IBA), Karachi. He is also a regular visiting faculty member at IBA, Karachi.



# DIRECTORS' REPORT

Dear Unit holders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, I am pleased to present the Annual Report of the Scheme for the financial year 2015 together with the audited financial statements of the period as per the accounting, regulatory and legal requirements.



### Launch of DCR as first REIT Scheme in South Asia

With the listing of Dolmen City REIT 'DCR' on the stock exchanges of Pakistan on 26<sup>th</sup> June 2015, the Fund became the first REIT scheme in South Asia, as well as, the biggest closed-end, Shariah compliant, listed instrument in Pakistan. Investors in Pakistan can now invest in DCR, where returns are correlated with the growth of rental income from the underlying real estate, providing them with a potential hedge against inflation; which at the same time, is not directly correlated to other listed instruments such as equity, debt and commodities

Important milestones towards its launch included (a) the transfer of the real estate on 22<sup>nd</sup> May 2015 comprising of The Harbour Front, a 19 storey Office Building; and the Dolmen City Mall, an shopping mall built and maintained to international standards. These assets are located at, Marine Drive, Clifton, Karachi; (b) Registration of DCR with the Securities and Exchange Commission of Pakistan on 29<sup>th</sup> May 2015; following that (c) the Book Building was successfully carried out on 8<sup>th</sup> June and June 9<sup>th</sup>, 2015 and finally (d) the IPO was concluded on 12<sup>th</sup> June 2015.

DCR has fund size of PKR 22.237 Billion which is equivalent to the value of real estate purchase transaction including transfer duties. Out of the expectations of raising PKR 5,559,250,000/- from the capital markets (equivalent to 25% of the fund size), a total of PKR 6,115,175,000/- was raised with a premium of one (1) rupee per Unit or PKR 555,925,000/- through the book building and IPO of the issue at a strike price of PKR 11 per Unit.

The Unit holding pattern of DCR at inception was as follows:

Unit holding Pattern		Number of Units	%
Pre-IPO	International Complex Projects Limited	1,556,590,000	70.00%
	Arif Habib Dolmen REIT Management Limited	111,185,000	5.00%
Book Building	Banks	265,633,207	11.95%
	HNWIs	66,500,455	2.99%
	Corporates	65,207,388	2.93%
	TREC Holders	17,102,700	0.77%
	Foreigners	2,500,000	0.11%
IPO	General Public	71,528,400	3.22%
	Underwriters - Bank Alfalah	31,061,617	1.40%
	Underwriters - Bank Islami Pakistan	22,058,602	0.99%
	Underwriters - Ismail Iqbal Securities	14,332,631	0.64%
<b>Total</b>		<b>2,223,700,000</b>	<b>100%</b>

### Operational Performance during the period in review

As the first financial year of DCR ended on June 30<sup>th</sup>, 2015; the period under review is only one month. Based on an agreement with the previous owner 'ICPL', the income and expenses pertaining to the real estate started accruing in DCR books from June 1<sup>st</sup>, 2015.

During the month of June 2015, DCR booked gross rental revenue of PKR 193.662 Million and other income of PKR 6.282 Million. Operating expenses during June 2015 were PKR 18.619 Million (9.6% of gross rental revenue) and net income was PKR 169.977 Million (approximately 88% of gross rental revenue).

During the period in review, there was no significant change in the tenancy profile of DCR. A few esteemed and renowned brands have been included in the tenancy pool such as SONY, Magnum, Delfrio, Interwood and Cynosure. The current occupancy level of DCR is at 95%. Taking a period from June 1<sup>st</sup>, 2015, the weighted average lease expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around 5 years and of the Harbour Front (32% of the total area) is around 3 years (DCR's current average lease expiry is 4.5 years).



Highlights	Leasable Area	Leased Area June, 2015	Increment	%
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*Lease Occupancy*

Dolmen Mall Clifton	552,389	513,186	761	93%
The Harbour Front	256,844	256,844	-	100%
<b>Total</b>	<b>809,233</b>	<b>770,030</b>	<b>761</b>	<b>95%</b>

Highlights	Rent May 2015	Rent June 2015	Increment	%
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*Monthly Rentals*

Dolmen Mall Clifton	129,664,982	132,537,375	2,872,393	2%
The Harbour Front	58,280,418	61,124,249	2,843,831	5%
<b>Total</b>	<b>187,945,400</b>	<b>193,661,594</b>	<b>5,716,224</b>	<b>3%</b>

Considerable marketing and branding activities were carried out in the Mall during Ramzan and leading up to Eid-ul-Fitr. Prior to that the Property Manager arranged the “Dolmen Summer Festival” Ramzan May and June 2015 were active months in pulling the crowd towards its various festivities.

**Dolmen Summer Festival** was held from 30<sup>th</sup> May 2015 to 7<sup>th</sup> June 2015 as a nine (9) days initiative to celebrate the season and holidays.

Breaking from the tradition of engaging tenants for sales and using the sales driven approach to market the event, the Summer Festival focused on providing customers a unique in-mall experience based on thematic lines; as such, the major elements used to create the façade were engaging activities, gifts and giveaways and performances.

The average footfall during the Event was 31,600 with a peak of 54,000. During the event period there was a significant 59% increase in footfall as compared with 2013, and 29% increase as compared to 2014.

**Ramzan Decoration** Ramzan remained a high footfall and high shopping month, being a holy and festive month, focus was given to make the customers feel good coming at Dolmen. The Mall was decorated to look festive, inviting and exciting for customers.



The marketing focus was on the feel good with Dolmen digital medium and in-mall campaign. For shop customers and children different activities were planned and giveaways were distributed during the last ten (10) days of Ramzan. For female visitors, a special corner was designed for applying Mehndi during the last five (5) days before Eid.

This Ramzan, there was a 22.38% increase in overall footfall.

**Unit holder's Return and Stocks Performance**

The Board of Directors of the REIT Management Company has decided to pay out the entire distributable income of PKR 169.612 Million (earned during the short period of one month), as dividend.

The dividends translate into PKR 0.08 per Unit, providing annualized Dividend Yield equal to 9.60% based on the par value, equivalent to 8.73% for IPO investors at the issue (strike) price.



During the three trading days of June 2015, the DCR Unit closed above its issue price of PKR 11 at the Karachi Stock Exchange. The average Unit price closed at PKR 11.06 during this period.

The Net Asset Value 'NAV' per Unit of DCR is PKR 10.20 at 30th June 2015. On an average the DCR Unit traded at a premium of 8.4% to its NAV during this period.

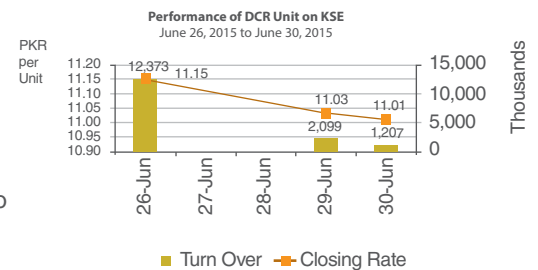
**Outlook**

The DCR is operating close to the projections of occupancy and rent escalations. Advance level negotiations have been underway with an international retail company to open an anchor store in Dolmen City Mall; this can significantly improve Mall's occupancy.

In view of professional property management, long lease tenors with renowned companies and brands, as well as, planned marketing activities Dolmen City remains the destination of choice for the visitors, retail operators and corporations alike. At the same time, with care and vigilance at all levels by Trustee, the REIT Management Company and the Shariah Advisor ensures compliance with the REIT Regulations and other applicable laws and standards. These factors should continue to a rewarding investing experience to DCR's Unit Holders.

**Acknowledgment**

The Board is thankful to Securities and Exchange Commission of Pakistan and other regulators for their continued support, cooperation and guidance. The Directors also appreciate the efforts put in by the employees of the company for their commitment and dedication and the unit holders for their confidence in the Company.



For and on behalf of the Board

Muhammad Ejaz  
Chief Executive

Karachi: 21<sup>st</sup> September 21, 2015



# Statement of Compliance with the Code of Corporate Governance

Arif Habib Dolmen Reit Management Limited / Dolmen City REIT  
FOR THE PERIOD FROM 20<sup>th</sup> JANUARY 2015 TO 30<sup>th</sup> JUNE 2015

**Regulation 14 (xxxvii) of the Real Estate Investment Trust Regulations, 2015 requires REIT Management Company (RMC) to conform to the provisions of the Code of Corporate Governance (the Code) as contained in Listing Regulations. This statement is being presented to comply with the requirements of Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Dolmen City REIT (the Scheme) is listed. The purpose of the Code is to establish framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.**

The Board of Directors (the Board) of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Management Company has applied the principles contained in the Code in the following manner:

1. RMC encourages representation of independent non-executive directors and directors representing minority interests on the Board. At present the board includes:

Category	Names
Independent Directors	Mr. Qamar Hussain Syed Yawar Abbas Jilani
Executive Director	Mr. Muhammad Ejaz
Non-Executive Directors	Mr. Abdus Samad A. Habib Mr. Nasim Beg Mr. Asadullah Khawaja Mr. Nadeem Riaz

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors of RMC have confirmed that none of them is serving as a director on more than seven listed companies, including RMC.
3. All the resident directors of RMC are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the Board during the period ended June 30, 2015.
5. RMC has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout RMC along with its supporting policies and procedures.
6. The Board of RMC has developed a vision/mission statement and overall corporate strategy of the Scheme. A complete record of particulars of significant policies of the Scheme are in process of developing.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors at the Board are adequately trained to perform their duties. No orientation program has been conducted during the period. However, as of 30 June 2015 two Directors of RMC had acquired the director's training certificate as required under the Code and two directors are exempted based on their professional experience. RMC plans to arrange Director's Training Program in future for the remaining directors.
10. The Board has approved appointment of CFO and Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Scheme were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Scheme other than that disclosed in the Directors' report.
14. RMC has complied with all the corporate and financial reporting requirements of the Code with respect to the Scheme.
15. The Board of RMC has formed an Audit Committee. It comprises of three members, of whom one is independent director (also the Chairman of Audit Committee) and two are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of final results of the Scheme and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board of RMC has formed an HR and Remuneration Committee. It comprises three members, all of them including Chairman are non-executive directors.
18. The Board of RMC has outsourced internal audit function of the Scheme to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Scheme.
19. The statutory auditors of the Scheme have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of RMC / the Scheme and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since the Scheme was launched in the month of June 2015, there was no 'closed period'.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except those that are not yet applicable. As per the Code, a mechanism was required to be put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e., April 2014. The mechanism is in place and RMC is in the process of completion of annual evaluation of the Board.

On behalf of the Board of Directors



Chief Executive & Director  
Karachi, September 21, 2015



The image features a 3D pie chart with several slices. Two slices are labeled with numerical values: 1994,78 and 4612,00. The chart is set against a background of a city skyline at the bottom and a warm, golden glow. The text 'FINANCIAL HIGHLIGHTS' is centered in a dark box over the pie chart.

# FINANCIAL HIGHLIGHTS

# Financial Highlights (based on one-month operations only)

for the period from January 20, 2015 to June 30, 2015

		2015
<b>Profitability</b>		
Net profit margin	%	<u>85.01</u>
<b>Performance</b>		
Return on asset	%	<u>0.73</u>
Return on Unit holders' fund	%	<u>0.75</u>
<b>Liquidity</b>		
Current ratio	times	<u>4.74</u>
<b>Activity Ratio</b>		
Asset Turnover	times	<u>0.01</u>
<b>Market Ratios</b>		
Dividend payout ratio	%	<u>100.00</u>
P/E Ratio	times	<u>137.63</u>
<b>Valuation</b>		
Earnings per unit - Basic and diluted	Rs.	<u>0.08</u>
Net assets value per unit	Rs.	<u>10.20</u>
No. of ordinary units (thousand)		<u>2,223,700</u>
<b>Trends</b>		
		(Rupees in '000)
Management fee		5,300
Trustee fee		907
Net operating income		181,423
Profit before and after taxation		169,977
Unit capital		22,237,000
Unit holders' fund		22,688,323
Total assets		23,218,502



# STATUTORY REPORTS



# 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 period from January 20, 2015 to June 30, 2015.

For the purpose of information, the attention of the unit holders is drawn towards the fact that Auditors of the Scheme have shown reservations in their audit report on the valuation of properties.

-sd-

**Muhammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: October 22<sup>nd</sup>, 2015



# Annual Shariah Review Report

Dolmen city REIT is Shariah Compliant REIT launched in the month of June 2015, it is the first REIT ever launched in our country and Alhamdulillah book building and IPO were materialized successfully in the month of June 2015.

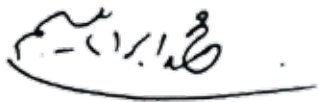
The structure of Dolmen City REIT is based on Shirkah and Ijarah. According to the structure, all Unit Holders are co-owners of the Project (Harbor Front and Dolmen Mall) and they will receive the dividends based on the income from rentals, Shirkah and Ijarah both are Shariah compliant products.

In the capacity of Shariah Advisor I monitored the complete transaction and reviewed all related documents . Based on my review I confirm that the complete transaction and related documents are Shariah compliant and Book Building and IPO were conducted in accordance with the shariah principles.

Further the undersigned has been further assigned to review the Shariah compliance matters of REIT ongoing basis so that Unit Holders could receive Halal Dividends. Based on this mechanism I confirm that the dividend of Dolmen CITY RIET would be Halal and Shariah compliant.

I am thankful to the Directors and management or Arif Habib Dolmen REIT manegment Company, the trustee, ICPL and other stake holders in providing full support and cooperation to make this transaction Shariah compliant and my special thanks to all Unit Holders who invested in this REIT and showed full trust on the this Project.

May Allah may grant us the best reward for our contribution in this REIT and may give the fruits of this REIT to all unit Holders. Aameen



**MUFTI MUHAMMAD IBRAHIM ESSA**

Shariah Advisor – Dolmen City  
Date ; july 27, 2015



# 1<sup>st</sup> Bi-annual Valuation Report For Dolmen City, Clifton, Karachi Under REIT Scheme

Dolmen City, is a large mixed used development located at the scenic coastline of Karachi, comprising five main buildings at a single place, catering to the social and commercial needs of the city.

- **Harbour Front Building:** Nineteen story state-of-the art office building; with a built up area of approximately 270,271 square feet.
- **Dolmen Mall:** Multi story regional mall of international standards; with a built up area of more than 1.29 million square feet.
- **Executive Tower:** Sea-facing multi story office building; and
- **Under Construction Two Towers:** of twenty seven story each.

As per requirements of Securities and Exchange Commission of Pakistan (Specialized Companies Division, Non-Banking Finance Companies Department), Arif Habib Dolmen REIT Management Company Limited - AHDRMCL had appointed National Engineering Services Pakistan (Pvt.) Limited, (NESPAC), to value the two component building i.e Harbour Front and Dolmen Mall of Dolmen City falling under the REIT scheme constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi as per provisions of REIT Regulations, 2008 which later was up-dated to REIT Regulations of 2015.

NESPAC submitted its valuation in February 2015 based on its surveys and prices as of November 2014. The report resulted in approval of Pakistan's first REIT scheme by SECP on May 29, 2015 which made a way for its successful launch on Karachi Stock Exchange.

As per requirement of REIT Regulations 2015, the valuer appointed by the REIT Management company has to provide its services for three years with up-dating of Valuation report bi-annually. According to this, an amendment was signed between both parties i.e AHDRMCL and NESPAC to continue services as required by REIT Regulation-2015.

The summarized scope of work remained the same as for first valuation with following main aspects to be covered in the report:

- Valuation of the land.
- Valuation the building.
- Expected Sale/Sub-Lease Value of the property in its present form, on a per square foot (/ft<sup>2</sup>) basis.
- Expected Rental Income
- Any other aspects that might be contributive towards the assessment of the fair market value of the above mentioned property.

## 1. DATE OF 1<sup>st</sup> BI-ANNUAL VALUATION

To up-date the valuation of the property, a visit was made to the premises/ property (The Harbour Front Office Building and the Dolmen City Shopping Mall) by a team of professionals from NESPAC on June, 29, 2015. The following day (June 30, 2015), a market study was conducted by NESPAC to up-date its continuous ongoing process of property valuation to assess the average land value in the area and prevailing sale price being charged by the owners of buildings in the vicinity before finalization of the valuation of the property under consideration.

The costs/prices assessed for the property in this report be considered the prices as of June 30, 2015.

## 2. GENERAL INFORMATION

- Dolmen City premises/ building is constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Marine Drive, Clifton, Karachi. The premises comprises of;
  - **The Harbour Front**, a 19 storey Office Building with a built up area of approximately 270,271 square feet
  - **Dolmen City Mall**, an international standard shopping mall with a built up area of approximately 1.29 million square feet



- b) The assumptions used for the valuation of the Dolmen City has been based on the requirements of Schedule-IV to the REIT Regulations by SECP as follows with occupancy ratio of 100% as the buildings at present are fully occupied;
- ✓ Average base cost of land
  - ✓ Construction cost of shopping mall
  - ✓ Construction cost of office block
  - ✓ Harbour Front Sales Market Value
  - ✓ Dolmen Mall Sales Market Value
  - ✓ Harbour Front Average Rental Rate
  - ✓ Per annum growth
  - ✓ Dolmen Mall Average Rental Rate
  - ✓ Per annum growth
  - ✓ Capitalization Rate (combined)
- c) The Dolmen Mall retail component/shopping mall does not share common access of parking space with the other components of the Dolmen City project thus easement is independent.
- The Harbour Front Building on the other hand shares easements with another office building, the Executive Tower located at the rear (sea facing building) of the property.
- d) The following information were shared by the RMC (AHDRMCL) and copies of some desired documents were provided to the Valuer:
- (i) Present occupancy/tenant status of Dolmen City Mall
  - (ii) Present occupancy/tenancy status of Harbour Front Building.

### 3. INSPECTION OF THE REAL ESTATE

- a) A visit was made to the premises/property comprising of;

- The Harbour Front Office Building, and
- Dolmen Mall

both constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, K. NESPAK on June 29, 2015 to update the previous inventory of the property for any addition or alteration if carried out in both the premises between the submission of first report and present bi-annual report. The following were team members;

- i. Mr. Muhammad Farooq, General Manager and team leader ValuationTeam.
- ii. Mr. Abid Bashir Alam, Sr. Engineer Valuation
- iii. Mr. Muhammad Yasir Ujjan, Sr. Engineer Structures
- iv. Mr. Shoaib A. Mushtaq, Sr. Engineer Mechanical
- v. Mr. Muhammad Noman, Sr. Engineer (Electrical and Electronics)
- vi. Mr. Mehdi Hassan, Sr. Engineer Contracts and Quality Assurance

### 4. DESCRIPTION AND DETAILS OF REAL ESTATE

The property under REIT comprises of two buildings, The Harbour Front Office Building and the Dolmen City Shopping Mall located on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, Clifton Cantonment, Karachi.

The title of record for the area lies with Karachi Development Authority.

The Harbour Front Office Building (a triangular building), on one-side face Sea View Road 2nd-side faces sea and the third-side face green area or presently open surface parking. While the Dolmen City Shopping Mall face the main road with sea on its rear side.

The building was constructed in 2011 and is divided in two parts i.e The Harbour Front Office Building and the Dolmen City Shopping Mall.



## A. Present Building/Premises

NESPAK professionals inspected the property to update their previous inventory for any addition or alteration if carried out in both the premises during the submission of first report and present up-date.

The survey revealed no significant addition or alteration in both the premises. The buildings are comprising;

### The Harbour Front Office Building

The Harbour Front is located at the sea front of Clifton, Karachi. Soaring 19-storays above the Arabian Sea, this modern triangular tower houses offices of some of leading local and multi-national corporations such as Byco, Engro Corp, Phillip Morris, Procter & Gamble, Cheveron and others.

With an area of over 270,271 square feet of office space spread over 17 levels. This tower is an essential part of the newly constructed Dolmen City project, one of the largest mixed-use developments in Karachi.



### Key Features of Building are;

- **State-of-the-art Security System**

The building is monitored 24x7 via a digital CCTV system, while all access points of the building including lobbies and parking areas are controlled via speed-gates and parking barriers.

- **Integrated Building Management System (IBMS)**

All sub-systems of the complex are controlled by 'Integrated Building Management System.

- **Fibre-Optic Communication System**

The building is equipped with an in-house fibre-optic network ensuring high-bandwidth availability and end-to-end data connectivity.

- **Voice Data Infrastructure**

The building has a Tier-2 data centre.

- **Uninterrupted Power Supply**

Uninterrupted power supply is ensured via a continuous system of power generation.

- **Centrally Air-Conditioned**

The building is centrally air conditioned with IBMS climate controlled system.

- **Centralized Mail Room and Cargo Delivery Area**

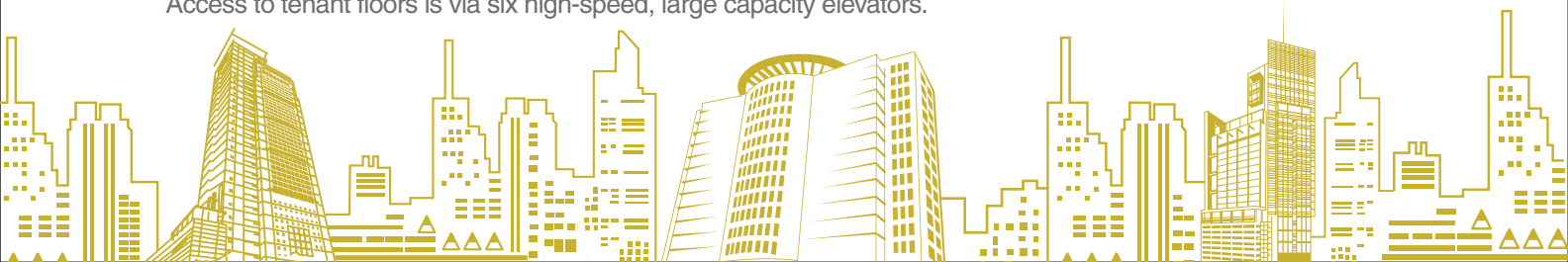
The centralized mail room and cargo delivery area is available.

- **NFPA Compliant Fire Alarm/Suppression System**

Each tenant floor has its own integrated fire alarm and fire suppression system consisting of smoke detectors, voice evacuation system, sprinkler system, smoke extraction system, etc.

- **High-Speed Elevator**

Access to tenant floors is via six high-speed, large capacity elevators.



- **Direct Access to the Food court & Shopping Mall**

Direct access is available to Dolmen Mall through a dedicated entrance at Level 2.

### The Dolmen City Shopping Mall

Dolmen City Shopping Mall, Clifton, Karachi is Pakistan's first mall built to international specifications. Located at the waterfront, at the intersection of the upscale Defense and Clifton neighborhoods, this mall integrates the best in food, fashion and leisure under one roof.

- Ground Floor,
  - First Floor,
  - 2nd Floor,
  - 3rd Floor,
- } (constructed as on ground floor parameters)

### Salient features

- **Tenancy Mix:**

**Retail Outlets:** Special consideration has been given to the tenancy mix at Dolmen Mall. An effective tenancy mix ensures that the mall has the right combination of outlets with the right placement to enhance the shopping experience. Apart from 130 retail outlets, prominent retail outlets in the Mall include; Debenhams, Mango, Toni & Guy, Charles & Keith, Next, Nine West, Timberland, Mothercare, Khadi, Hub, Junaid Jamshed (J.) / Kaliyan / Nairang, Q n H, Kayseria, Bareaeze, Shamraf's, Kapray, Sana Safinaz, Almirah, AUJ, Threads & Motifs, Mausumry Lawn, Brand Just Pret, Triumphs, One by Ensemble, Chinyere, Koel, Mossajee Sons, Voir, Crocs, Levis, ECCO and Jafferjees, etc. with Most prominent anchor tenant by area in the Mall is Hyperstar.

**F&B Outlets:** The mall has over 30 different options in the food & beverages category, which includes coffee shops, diners, fast food chains, dessert shops and fine dining restaurants. Prominent food & beverages outlets in the Mall include The Fat Burger, Johnny Rocket, Guns Smoke, Burger King, Espresso, Gloria Jeans, Noodle House, Pappa Roti, McDonalds and Bombay Chowpatti.

- **Spacious walkways and Atriums:**

The layout of the mall not only ensures a smooth pedestrian traffic flow, but also provides shoppers with pleasant open atriums.

- **Amusement Centres**

Two family amusement centres are available at the mall, namely; Sindbad's Wonderland and Kidz Dunya.

- **Handicap accessibility**

The entire shopping mall is accessible by handicapped shoppers. Special measures have been taken in this regard which include dedicated car parking spaces, ramps, wheel chair accessible toilets, large elevators and moving walkways.

- **Multi-level basement and surface parking**

A sophisticated car parking management system is installed at the multilevel basement car park to assist visitors.

### B. Area of Property and Present Building/Premises

Various areas (property area and covered areas) are summarized below;



**Plot:**

The plot is not in exact rectangle shape but has carving in curved shape at the front facing

Plot area: 338,999.85 Sft. (37,666.65 sq. yd.)

**The Dolmen City Shopping Mall**

Property	Gross Built Up Area (Sft.)	Excluded Area (Sft.)	Net Built Up Area for REIT (Sft.)
Lower Basement (-) 5000	195,258	9,105	186,153
Upper Basement (-) 2000	290,057	15,772	274,285
Ground Floor	282,247	41,195	241,052
Ground Floor-Summit Bank			
Mezzanine Floor	19,879	-	19,879
1st Floor	278,863	3,464	275,399
2nd Floor	276,444	3,472	272,972
Plant and Transformer Rooms - 3rd Floor	27,667	-	27,667
<b>Total REIT Related Area</b>	1,370,415	73,008	1,297,407

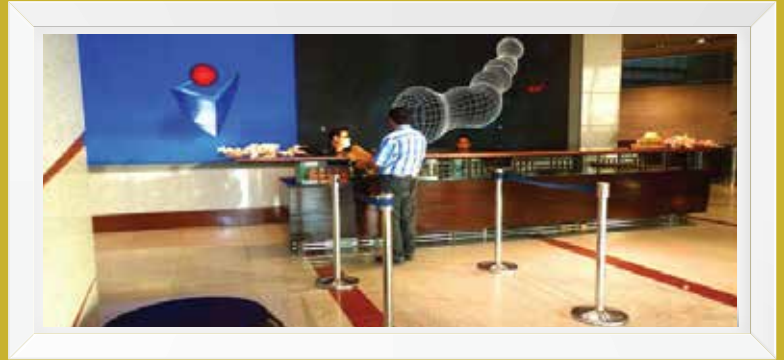
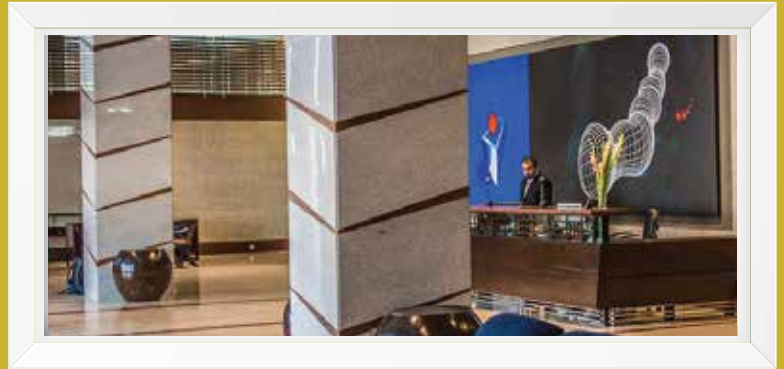
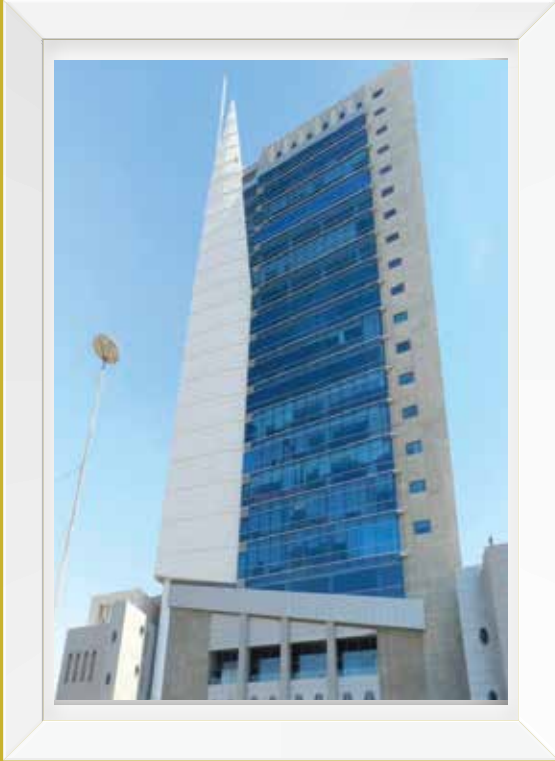
**The Harbour Front Building:**

S.No.	Description	Total Area (Sq. Ft.)	Excluded Area (Sq. Ft.)	Area for REIT Scheme (Sq. Ft.)
1.	3rd Floor	14,797	-	14,797
2.	4th Floor	15,549	-	15,549
3.	5th Floor	15,549	-	15,549
4.	6th Floor	15,498	-	15,498
5.	7th Floor	15,498	-	15,498
6.	8th Floor	15,498	-	15,498
7.	9th Floor	15,439	-	15,439
8.	10th Floor	15,439	-	15,439
9.	11th Floor	15,439	-	15,439
10.	12th Floor	15,579	-	15,579
11.	13th Floor	15,579	-	15,579
12.	14th Floor	15,579	-	15,579
13.	15th Floor	15,451	-	15,451
14.	16th Floor	15,451	-	15,451
15.	17th Floor	15,451	-	15,451
16.	18th Floor	15,342	-	15,342
17.	19th Floor	15,447	-	15,447
18.	20th Floor	7,688	-	7,688
<b>Total Area (Harbour Front Building)</b>				<b>270,27</b>

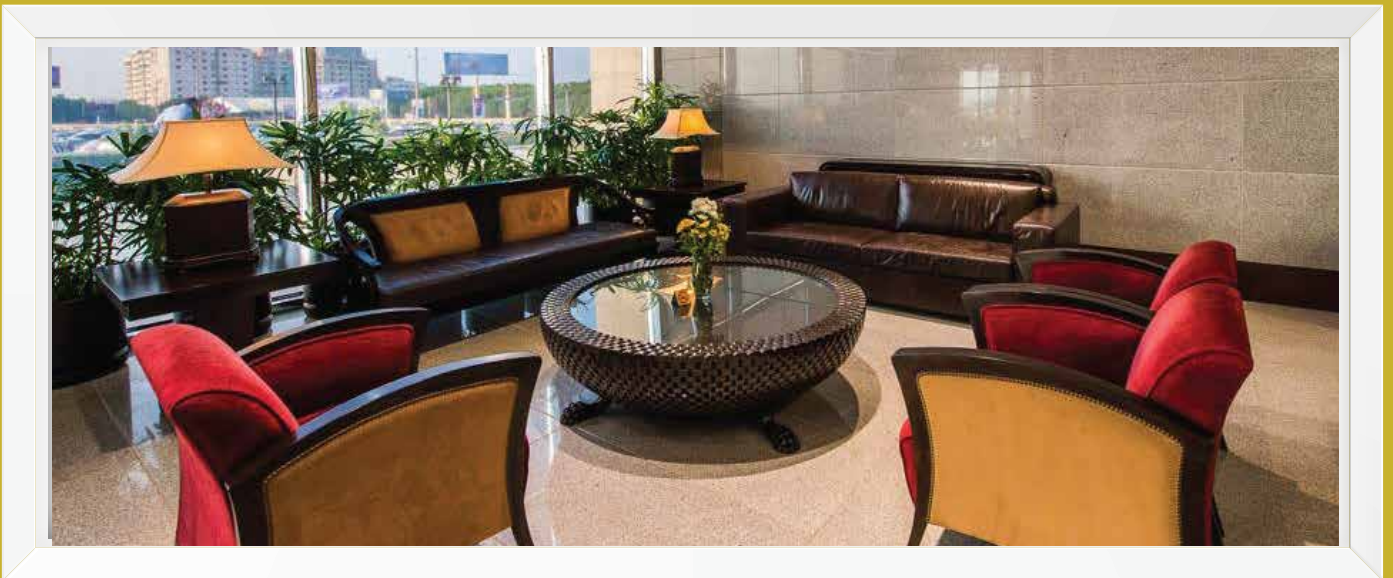
**Total Covered area of both buildings  
Including Common Area:**

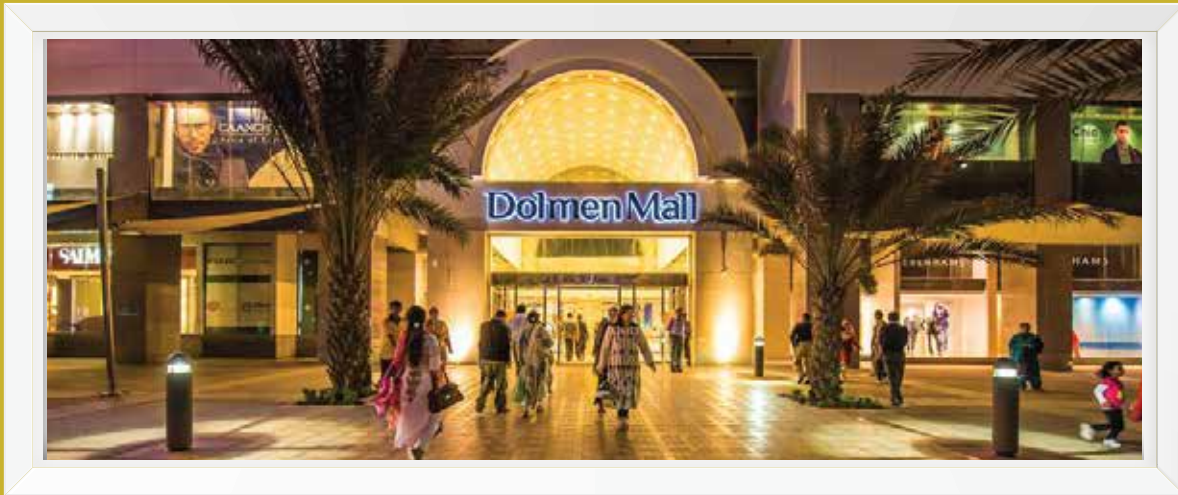
**1,567,678 Sft.**





**Panoramic  
View From  
An Office**





**The Dolmen City Shopping Mall Entrance Dolmen**



**Dolmen City Shopping Mall Common Areas with Shops View**

### C. Major Material Used in Building/Premises

Following is the general description of the building;

- Structure:	Framed Structure Bearing on piles
- Flooring:-	Mix of Wooden/Porcelain Tiles Mix of Wooden/Porcelain Tiles Marble/Terrazzo Flooring
- Other Architectural Materials:	False Ceiling, Decorative Wood Work, Wooden Windows with Glass, Thick Glass used in partitions for cubicles, Textured Tiles, etc.
- Lifts:	in Shopping area transporting upto 2nd floor, six in Harbour Front Building transporting upto 19th floor)
- Escalators:	in Shopping Area
- Washrooms:	Ceramic tiles and accessories of Ceramics, Marble, Premium grade accessories and fixtures
- Doors:	Flush Doors with lamination/veneer, solid doors
- HVAC:	Centrally Air-conditioned Building
- Interior & Furnishing:	complete with furnishing, Air Conditioning, False Ceiling, Decorative Wood Work, and related accessories.
- Security System:	State of Art security system with CCTV cameras both in Shopping Area, Harbour Front Building and Parking.

Note: All the finishing items used in the main building and annex building are found of Prime Quality.

Some more pictures indicating the building maintenance and provision of allied facilities;





**Power Generators**



**External Façade Management System**



**HVAC System**



**Car Parking in Basement**

## 5. SURROUNDING DEVELOPMENTS, MARKET AND NEIGHBORHOOD & SUPPLY AND DEMAND

The Property is located in Scheme-5 of Clifton, which is one of the oldest and up-market areas of the city. The site is a short distance from Mazar of Abdullah Shah Gazi and adjacent to Sea View beach, which is the most popular outdoor recreational area in Karachi.

Although there is no major development of matching with the property under consideration in the vicinity of the property, some developments of interest with comparable facilities in the surroundings are Park Towers, Ocean Tower, Emerald Tower and under construction mixed use development by Bahria Town Developers.

The subject property is on the cusp of the affluent Clifton and Defence residential areas, housing many foreign missions, consulates and high-net worth individuals.

### Summary of Features and Amenities

Variable	Comments
Roads	Metalled, Good Quality access and surrounding roads
Street Lighting	Adequate street lighting on access road
Parks	Several parks in immediate periphery with the largest being Bin Qasim Park, green belts, parks in further surroundings
Hospital	Some small hospitals and medical centres in a 10km radius. The closest large hospital is Dr. Ziauddin Hospital approx. 5km away
Education Institutes	Yes, mostly catering to upper middle and upper income groups
Shopping Mall	Park Towers, Emerald Mall, Ocean Mall
Commercial Area	Commercial pockets throughout Clifton and Defense
Security	Good security and patrolling on access roads, Government offices and embassies observed down the road.
Banks	Several branches
Crime	Low
Food and Beverage	Several restaurants in the surrounding area particularly off 26th Street Traffic Moderate traffic congestion at peak hours. Public Transport Good bus links to all parts of the city
Private Transport	Good access for private transport
Utilities	All utilities are available in the neighbourhood
Waste and Sewage	Provisions available in the neighbourhood Rain Drainage Rain drain adjacent to the site



The traditional CBD area for Karachi is predominantly Saddar and I.I.Chundrigar Road. These areas are now nearing saturation and office spaces have moved to surrounding areas.

The office space supply in Karachi thus saw decentralization with certain outlying areas emerging as satellite office business districts. Lack of quality new supply and severe traffic congestion in the traditional CBD has led to popularity of the secondary office areas such as M.T. Khan Road, Shahrah e Faisal and Clifton.

Quality office space started moving closer to relatively higher income populations (Clifton and DHA) which have seen generally better quality developments.

Over recent years the trend of office space which was traditionally purchased has moved to rented accommodation in well managed and more secure buildings. The higher competition as new supply entered the market has resulted in slow movement and low take up in poorly designed buildings. In addition, the rising price of commercial real estate has created a demand for smaller offices with optimal space utilization and a preference for space available on rent.

Enclosed retail in Karachi is currently in the evolving stage with most malls located in proximity to high density or high income residential areas.

The older shopping plazas around Saddar and Tariq Road were strategically located in centralized retail hotspots with a 360 degree catchment. More recent quality supply however is located in relation to the income stratification of the immediate catchments. The concept of commuting for shopping is ebbing away due to the general traffic congestion in the city thus supply has seen moving to satellite business districts mostly to the south of the city.

## 6. VALUATION ANALYSIS/ NESPAK's ASSESSMENT

The building is presently in use as mixed-use shopping mall with Office Tower (Harbour Front Building) extending above from 3rd floor. The Dolmen City Mall is on a corner plot facing West also without any hindrance of view or wind direction due to any tall building. Although the property value has been estimated from other sources, they have lacked accuracy as this is a unique property with no previous sale transactions for the building and therefore cannot be valued as per the conventional practice.

The subject site has been evaluated in terms of vacant land use and it has been found that the best use of land would be a commercial mixed use development. In congruence with the population of the surrounding areas it is suggested that the development offered is of high quality with the presence of all require features, amenities and adequate security provisions

NESPAK has based its assessment on its experience and expertise while applying conventional practice for prevailing market rates considering the type of construction, materials used in building construction if the building was to be constructed as of today or in recent past and summarized as below;

### OPTION

#### a) LAND COST

Sea View Road is one of the busiest road of Karachi and is developing into a business hub of Karachi with Public and Private Organizations. It is almost impossible to find a vacant plot on the main or on the Sea side.

However, to assess the land value in the area, survey of the estate agents/ property dealers was carried out. Majority of the dealers were of the opinion that saleable land is not available. Some properties may be available on the opposite or adjoining streets/ roads.

Considering the price by property dealers for the assessment of the same. The survey revealed that although prices of properties have been marginally up and down but no change has occurred in the general property market, in last six months but due to non-availability of land in the near vicinity of Dolmen City, prices have not been affected.

The cost of normal land in the area ranges between Rs. 250,000/- per Sq.yd. to Rs. 350,000/- per Sq.yd. depending upon the size of plot. Bigger the size of plot lesser the cost and vice versa. Optimal plot size to fetch a higher amount range between 2,420 Sq.yds to 4,840 Sq.yds.



Total Cost of land (entire plot) as per above parameters: (Land Area X Rate)

$$= (37,666.65 \times 300,000)$$

$$= \text{Rs. } 11,299,995,000 \text{ /-}$$

Say Rs. 11,300 Million

Considering the above factors and Parameters, Cost of land Reserved for REIT would follow the same parameters. Rs. 300,000/- per Sq.yd: (Land Area for REIT x Rate)

$$= (15,201.68 \times 300,000)$$

$$= \text{Rs. } 4,560,504,000 \text{ /-}$$

Say Rs. 4,561/- Million

### OPTION-I COST APPROAH (LAND + BUILDING COST)

The premise for the Cost Approach is to find a value on which a real estate of similar size and location can be acquired and a similar size, shape, strength and amenities structure can be constructed. Provided that there is a sufficient supply of buildable land and that construction is a viable alternative to purchase of an existing property. For calculations, the area of land is taken in square yards whereas Built-up area is taken in square feet and these are multiplied by our current market research based rates. The rates are based on our research and information available to us from our experience of valuation of different properties.

#### Dolmen City Shopping Mall (Basements + 3-Floors with Common Area)

Building (including; finishes of CS plaster, Paint, flooring, door & windows, façade up-lift, complete washrooms, internal electrical works, lighting fixture of prime quality, etc. Air-conditioning, Lifts, Decorative Lighting, Decorative wooden flooring and wood work (mostly teak in windows & doors), all kinds of furniture/ furnishing, Stone Work etc. and basements, construction cost has been found between

Rs. 8,500/- to 10,000/- Per Sft.

Although the shopping mall can achieve the higher figure of pricing but considering some standard finishes in basement and common area a figure of Rs. 9,000/ per Sq.ft is considered as fair cost of construction.

Total Cost of shopping mall as per above (Covered Area X Rate)

$$= 1,297,407 \times 9,000$$

$$= \text{Rs. } 11,676,663,000 \text{ /-}$$

$$= \text{Say Rs. } 11,700.0 \text{ Million}$$

#### Harbour Front Building

Although the building follows the same construction parameters as of shopping mall but some finishing items are on lesser side as due to requirement for Office Building.

Therefore, a reasonable cost between Can be assumed as fair construction cost (say Rs. 7,000/- per Sq.ft.)

Rs. 6,000/- to 8,000/- Per Sft.



Total Cost of Harbour Front as per above  
(Covered Area X Rate)

$$= 270,271 \times 7,000$$

$$= \text{Rs. } 1,891,897,000/-$$

$$= \text{Say Rs. } 1,900.0 \text{ Million}$$

Total Cost of Construction as per above  
Specifications: (for REIT)

$$= 11,700.0 \text{ Mil.} + 1,900.0 \text{ Mil.}$$

$$= \text{Rs. } 13,600 \text{ Million}$$

Total Cost of Project as per above  
Specifications: Cost of Land (for REIT) +  
(Cost of Buildings Construction)

$$= 4,561 \text{ Mil.} + 13,600 \text{ Mil.}$$

$$= \text{Rs. } 18,161 \text{ Million}$$

### OPTION-II (SALE COMPARISON APPROACH)

This approach compares the subject property characteristics with those of comparable properties which have recently been sold to determine the value of subject real estate. The process adjusts the prices of comparable transactions according to the presence, absence, or degree of characteristics, which influence value.

#### The Harbour Front Office Building

No standard parameters for Sale were observed for the area. However, some escalation in sale price of Buildings owned by various banks or some prestigious business houses with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 18,000 to 22,000 per Sq.ft.

Therefore, NESPAK has also based its assessment of sale/lease on similar parameters and considering the rise in sale prices has taken an average base cost of Rs. 22,000/- per Sq.ft.

Total expected sale/lease rate of Property  
as per above facilities: (Covered Area X Rate)

$$= (270,271 \times 22,000)$$

$$= \text{Rs. } 5,945,962,000 /-$$

$$\text{Say Rs. } 5,946.0 \text{ Million}$$

#### The Dolmen City Shopping Mall

No standard parameters for Sale were observed for the area. Buildings of different shopping arcades or some prestigious business houses in and around Clifton area with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 65,000 to 70,000 per Sq.ft.

The present property under consideration is with some unique features which has changed the shopping experience in the city. The shopping has also been made as recreation and a complete day spending at the Mall. This has been possible due to ample open spaces for roaming, comprehensive security, best finishing in the shopping area, well maintained air-conditioning system, modern interior architecture and other features of International Standards. Such facilities add a premium to the existing sale price trend in the area.

Although some increase in the sale prices of similar nature properties has been observed, but, due to no sale policy by the Dolmen Group for its shopping area, no genuine rates have been observed for its property. Therefore, a sale price around Rs.50,000/- to 60,000/- per Sq.ft. is expected for the shopping area of the Dolmen Mall.

NESPAK has based its assessment of sale/sub-lease on similar parameters and taken an average base cost of Rs. 55,000/- per Sq.ft. which includes the factor of price for common facilities area



Total expected sale rate of Property  
as per above facilities: Shopping area only  
(net Covered Area of Mall X Rate)

= (836,969 X 55,000)  
= Rs. 46,033,295,000/-  
Say Rs. 46,000.0 Million

Total Sale Price of Project as per above  
Specifications:

= 5,946 Mil. + 46,000 Mil.  
= 51,946 Million

### OPTION-III (INCOME CAPITALIZATION APPROACH) (as per VALUER)

#### RENTAL VALUE Per Sft.

No standard parameters for rent were observed for the area as no comparative building is available in the vicinity with such areas for offices as well as shopping space.

Majority of offices in Karachi fall on the I.I. Chundrigar Road or with latest trend on Shahrah-e-Faisal. The variation in the rent per square foot in these areas is enormous. Rent varied from Rs. 50-75 per Sft. for ordinary buildings without any air conditioning and lift, while it was Rs. 100 – 150 per Sft. for buildings with good finishes and central air conditioning, lifts and offering parking facility for 10- 20 vehicles also. Buildings owned by various banks or some prestigious business houses with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 200 to 250 per Sft.

However, the mixed use development at property under consideration provide a unique experience for corporate sector offices with water front view, state of art security system, prime finishes and other valuable features. Similarly, the shopping mall also provide a secure shopping experience to its visitors with the commodities of international chains as well as international repute local brands.

The valuation arrived through Income Capitalization Approach is based upon the expectation of future benefits from the property. It converts the anticipated cash flows from property into present value by "capitalizing" net operating income (which account for the operating expenses on the property) by a market derived "capitalization rate". Capitalization rate taken are based on our experience and extracted from "sales" of other investment properties and applied to the net operating income of a subject property to determine its value.

Therefore, NESPAK has based its assessment of rent considering similar parameters, its experience, present trends of occupancy in the nearby areas, presently charged rents in the Harbour Front Building and Shopping Mall, etc.

#### Harbour Front Building

Although the building offer's some unique features and requirement for an Office Building, but due to its distance from main office hubs only major corporations with significant/ sizeable staff strength prefer offices in this area. 2ndly within last few months some more buildings offering rentable office space have opened up creating a competition for attracting the prospective clients.

These new openings have stabilized the rental market specially for offices.

Therefore, a reasonable Rent between  
Rs. 200 to Rs. 250 Can be assumed as  
fair rental value. An average rent of Rs. 225/-  
is expected to be charming for intended  
occupants.

Total Rent of Harbour Front as per above  
(Covered Area X Rate)

= 251,263 X 225  
= Rs. 56,534,175/-  
= Say Rs. 56.50 Million



The projection of rent for the next five (05) years may be forecasted with an annual increment of 10% in the rent as prevailing in market. The projection is as below;

1st Year .....	= Rs. 56.50 Million
2nd Year (56.50 X 10%) .....	= Rs. 62.15 Million
3rd Year (62.15 X 10%) .....	= Rs. 68.365 Million
4th Year (68.365 X 10%) .....	= Rs. 75.20 Million
5th Year (75.20 X 10%) .....	= Rs. 82.72 Million

### The Dolmen Mall

Although the building offer's unique experience of shopping and recreation under one roof with availability of daily use items from international chains as well as branded local chains. The food court is also value addition to the shopping mall as well as the kids play areas.

The survey of shopping arcade within the Dolmen Mall and vicinity indicated varied trend of rent. In Mall itself it has been observed that many shops were rented from Rs. 325 to Rs. 600 per square feet.

Very few vacant shops were available for rent in the Mall, but due to very selective approach for renting out the premises by the Dolmen Mall owners, steady increase has been observed in the rent of the building within past.

This type of restrictions on one side cause limited increase in earning but on other side attract better outlets for intended shoppers.

Considering above factors and the steady growth of rents in the market a price of Rs. 425/- per square foot is averaged as reasonable rate for rent. This price has been averaged considering the lower side rent for eatery outlets, play areas, storage facilities and the selective approach.

Total Rent of Shopping Mall as per above (Covered Area of shops X Rate)	= 558,866 X 425 = Rs. 237,518,050 /- = Say Rs. 237.50 Million
--	---

The projection of rent for the next three (03) years may be forecasted with an annual increment of 10% in the rent as prevailing in market. The projection is as below;

1st Year .....	= Rs. 237.50 Million
2nd Year (237.50 X 10%) .....	= Rs. 261.25 Million
3rd Year (261.25 X 10%) .....	= Rs. 287.375 Million

### Total Rent of both Harbour Front Building and Shopping Mall for 1st year shall be:

= 56.50 + 237.50 = Rs. 294.00/- Million per month
--

In general it has been experienced in the market that an expenditure in range of 10% to 12% of Gross Rental Income is incurred as operating expenses for such type of facilities. Based on this experience it is fair to take a figure of 10% as operating cost for the properties under valuation.

It has been observed that Market capitalization rates range between 4 to 6% for real estate specially built-up houses and medium size office buildings in general in the market.

However, for the size of property under consideration, capitalization rate should range between 6% to 8%. This is assessed as the property is commercial and limited investors will be available in the market for investment for such big property. A percentage of 7% is therefore assessed to be fair rate for capitalization.



Based on the combined capitalization rate of 7%, value of Harbour Front Building and Dolmen Mall comes to around as follows:

Per Month Income (Rent) = Rs. 294.00 million  
 First Year Gross Income (Rent) = 294.00 X 12  
 = Rs. 3,528 million

Less Operating Cost = 3,528 X 10%  
 = Rs. 352.80 million

First Year Income (Rent) less Ops Cost = 3,528 – 352.80  
 = Rs. 3,175.20 million

Capitalization Rate = 7%  
 Value of Property = Rs. 45,360 million

### SUMMARY OF VALUATION

Average base cost of land	PKR 300,000 per sq yard
Construction cost of shopping mall	PKR 9,000 per sq foot
Construction cost of office block	PKR 7,000 per sq foot
Harbour Front Sales Market Value	22,000 per sq foot
Dolmen Mall Sales Market Value	55,000 per sq foot
Harbour Front Average Rental Rate	PKR 225 per sq foot
Per annum growth	10%
Dolmen Mall Average Rental Rate	PKR 425 per sq foot
Per annum growth	10%
Operating Cost	10% of yearly rental
Capitalization Rate (combined)	7%
Occupancy	100%

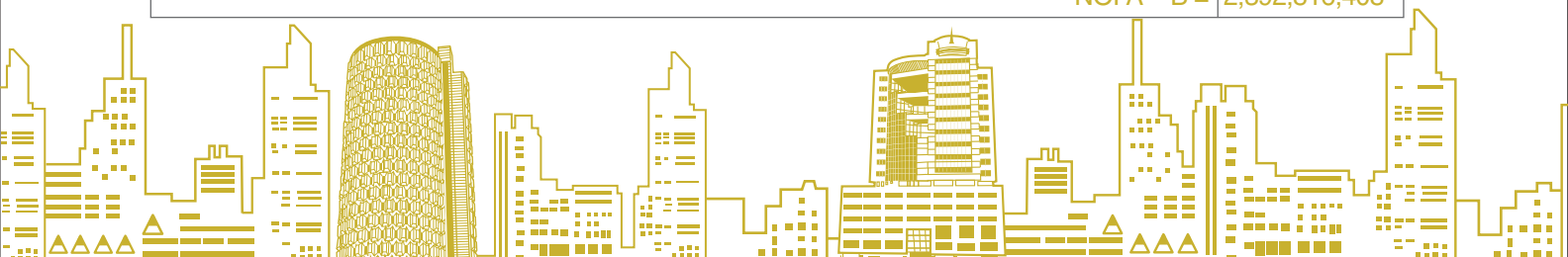
### (INCOME CAPITALIZATION APPROACH) (as per Present Revenue Generated)

AHDRML shared the current occupancy status of both Mall and Harbour Front Building with the areas and rent charged at present for the assessment of value of the property based on present income.

However, for the size of property under consideration, capitalization rate should range between 6% to 8%. This is assessed as the property is commercial and limited investors will be available in the market for investment for such big property. A percentage of 7% is therefore assessed to be fair rate for capitalization.

Based on the give data and combined capitalization rate of 7%, value of Harbour Front Building and Dolmen Mall comes to around as follows:

REIT - Income Statement	Year 1
<b>Revenue:</b>	
• Gross Rental Revenue	2,608,371,280
• Ancillary Income	93,500,000
	Sub-Total Revenue (A) = 2,701,871,280
<b>LESS Operating costs:</b>	
• Monitoring Fees	22,237,000
• Property Management Fee @6%	156,502,277
• Ancillary Income Collection Fees @ 15%	14,025,000
• Insurance Expense	36,750,000
• Property Tax	21,368,876
• Ground Rent on Sub-Lease	182,420
• Other Recurring Expense	5,821,873
• Marketing Expense	52,167,426
	Sub-Total Operating Costs (B) = 309,054,872
	NOI A – B = 2,392,816,408



First Year Income (Rent) less Ops Cost	= Rs. 2,392.816 million
Capitalization Rate	= 7%
Value of Property	= Rs. 34,183 million

#### FINAL VALUATION AS OF 30th JUNE 2015

Below is the table itemizing the 1st Bi-Annual Final Valuation for the under consideration property arrived after employing various valuation approaches defined in the report. The user of this report can select a value as appropriate.

VALUATION APPROACH	VALUE all costs in Pak. Rs. Billion)
Cost Approach	18.161
Sales Comparison Approach	51.946
Income Capitalization Approach	
As per Valuer Assessment	45.360
As per present Revenue	34.183

#### DECLARATION OF VALUER

A declaration according to the format attached.

#### RELEVANT APPROACH

**Cost Approach:** Provides bases for determining replacement value. It does not take into account the loss of income during construction up till the time project achieves desired occupancy

**Sales Comparison Approach:** Commonly used in real estate appraisals. There is presently no similar size or scale real estate transaction in Karachi for comparison with Dolmen City Project

**Income Capitalization Approach:** Better valuation benchmark for income producing real estates; 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/appropriate approach used for income producing properties i.e rental properties.



**DECLARATION**

I, Muhammad Farooq of national Engineering Services of Pakistan (Pvt) Limited (NESPAKO) am appointer to carry out a valuation of Dolmen City premises\ building constructed on plot , survey NO, HC-3, Block-4, Scheme NO. 5, Clifton, Karachi and do solemnly and sincerely , to the best of my Knowledge and belief declare

01. That after an inspection of the Real Estate and a study of perinent factors, including valuation trands and an analysis of neighbourhood date the market value of the subject Real Estate as on june 30,2015 is :

VALUATION APPROAH	VALUE (all costs in Pak. Rs. bilion)	(ALL COSTS IN PAK. Rs.)
cost Approach	18.161	Rupees eighteen poinn one six one billion
sales comparison Apporoch	51.946	Rupees fifty one point nine four six billion
Income Capitalization Approach		
As per Valuer Assessment	45.360	Rupees forty five point three six zero billion
As per present Revenue	34.183	Rupees thirty four point one eigt three billion

02. That the statements of factb contained in this report are true and correct.
03. That I have not withheld any information.
04. That I heve no interest in the Real Estate that is the subject of this reort, and I have no personal interes or bias with respect to the parties involved.
05. That I havev not been instructed either by my company or the clint to report a predetermined valie for the subject Real Estate.
06. That I am neither director nor an employee of the RMC and do not have any financial interest, dreict or indirect, in the RMC.
07. That I have personally inspected the Real Estate that is the subject of this reort.

**Declared by:**


Name and signature: Muhammad Farooq  
Designation: General Manager  
Date: June 30, 2015

**Witnessed by:**

-sd-

Name and signature: Ahmad Halal , G.m\HEAD, nespak, Karachi  
of the valuer company  
Date: June 30, 2015



# National Engineering Services Pakistan (Pvt) Limited

3322/50D/MF/01/012

August 17, 2015

**Syed Adnan Ali Rizvi**

VP Arif Habib Dolmen REIT Managemnet Limited,  
1<sup>st</sup> Floor, Arif Habib Center,  
23 M.T. Khan Road, Karachi  
TEL: +92(21) 32468101

## CONSULTANCY SERVICES FOR VALUATION OF DOLMEN CITY REIT SCHEME, KARACHI.

Dear Sir,

This has reference to your letter dated August 13, 2015 regarding our opinion/ comments on:

1. the use of SECP identified 'Income Capitalization Approach' in Real Estate Investment Trust Regulations, 2015 for valuation of subject property, and
2. the change in value of the property during the period May-2015 to June-2015.

Our para-wise reply to above, we would like to inform you that, NESPAK has carried out valuation of subject property by mid of November 2014 as independent valuer to asses the fair market value of the property based on the approaches identified by SECP in its REIT Regulations.

1. We are of the opinion that out of the three approaches identified in REIT Regulations, "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.

2. In continuation to our valuation for the subject property on bi-annual requirements as per regulations, no significant change was observed in the basis for valuation on the Cost Approach and Sale Comparison Approach. However, due to incremental renting trend for the office spaces and commercial/shop spaces a nominal increase was observed between the first valuation report period and submission of bi-annual report i.e Mid November 2014 to June 30, 2015.

Further to apprise you, it is common market trend that generally the commercial preperities are acquired on rent at the beginning of the year or at the start of new financial year (1<sup>st</sup> of July). Therefore, we consider that during the period between mid of May 2015 to June 2015 (one and half month), there may not be any significant change in net operating income of the discussed property to impact its value.

We hope our submission would be according to your expectations.

Sincerely  
for National Engineering Services of Pakistan (Pvt.) Limited



**(Muhammad Farooq)**

General Manager  
C.c: M/Head (Karachi), NESPAK for information pl.



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors (the Board) of Arif Habib Dolmen REIT Management Limited, the REIT Management Company of Dolmen City REIT ("the Scheme") for the period from 20 January 2015 to 30 June 2015 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Scheme is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the REIT Management Company (RMC) of the Scheme. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Scheme's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the RMC's personnel and review of various documents prepared by the Scheme to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Scheme's corporate governance procedures and risks.

The Code requires the RMC to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Scheme's compliance, in all material respects, with the best practices contained in the Code as applicable to the Scheme for the period from 20 January to 30 June 2015.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

Serial No.	Paragraph Reference	Description
1	6	A complete record of particulars of significant policies of the Scheme are in process of development.
2	23	A mechanism for an annual evaluation of the Board's own performance is in place however, the Management Company is in process for completion of the annual evaluation of the Board.

Date: 21<sup>st</sup> September 2015

Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## Auditors' Report to the Unit Holders

We have audited the annexed balance sheet of **Dolmen City REIT** ("the Scheme") as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in unit holders' fund together with notes forming part thereof for the period from 20 January 2015 to 30 June 2015 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the REIT Management Company to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

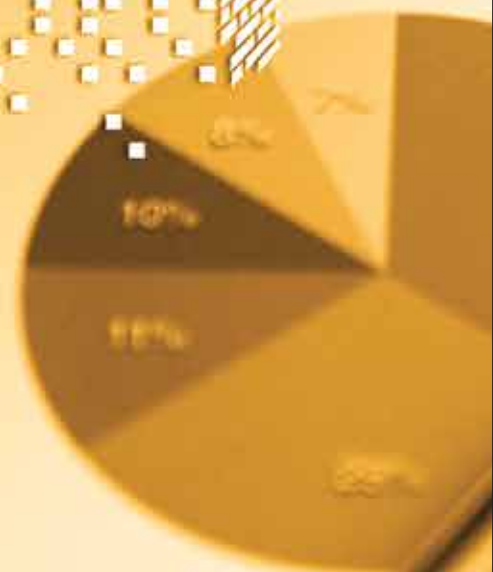
- a) As more fully explained in note 4 to the financial statements, the management has considered that due to short period since the acquisition of the investment property, there is no material change in the fair value of the investment property at 30 June 2015. Accordingly, the investment property is stated at its cost. A valuation carried out by the valuer appointed under REIT Regulations provided significantly higher value. The Scheme's accounting policy requires that the investment property should be stated at fair value subsequent to its acquisition. Consequently, we are unable to obtain sufficient and appropriate audit evidence whether investment property is stated at fair value.
- b) In our opinion, except for the matter stated in paragraph (a) above, proper books of account have been kept by the Scheme as required by the Companies Ordinance, 1984;
- c) In our opinion, except for the matter stated in paragraph (a) above,
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies stated therein;
  - ii) the expenditure incurred during the period was for the purpose of the Scheme's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Scheme;
- d) In our opinion and to the best of our information and according to the explanations given to us, except for the matter stated in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in unit holders' fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Scheme's affairs as at 30 June 2015 and of the profits, its cash flows and changes in unit holders' fund for the period from 20 January 2015 to 30 June 2015; and
- e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 21<sup>st</sup> September 2015

Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Muhammad Nadeem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## SUMMARY REPORT

# FINANCIAL STATEMENTS

May

August ● September

35%

TIME  
(MINUTES)

DISTANCE  
(MILES)

20.00

25.00

30.00

35.00

40.00

45.00

50.00

55.00

60.00

65.00

70.00



# Balance Sheet

As at 30<sup>th</sup> June, 2015

	Note	2015 (Rupees in '000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Total non current assets - Investment property</b>	4	22,237,000
<b>Current assets</b>		
Rent receivables		34,514
Advances and other receivables	5	34,173
Interest accrued		97
Bank balances	6	912,718
<b>Total current assets</b>		981,502
<b>Total assets</b>		<b>23,218,502</b>
<b>REPRESENTED BY:</b>		
<b>Unit holders' fund</b>		
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)	7	22,237,000
Reserves:		
Premium on issue of units		281,346
Unappropriated profit		169,977
<b>Total unit holders' fund</b>		<b>22,688,323</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Formation costs payable to REIT management company	8	215,087
Security deposits	9	108,036
<b>Total non-current liabilities</b>		<b>323,123</b>
<b>Current liabilities</b>		
Payable to REIT management company	10	58,259
Security deposits	9	44,543
Accrued expenses and other liabilities	11	104,254
<b>Total current liabilities</b>		<b>207,056</b>
<b>Total unit holders' fund and liabilities</b>		<b>23,218,502</b>
<b>Net assets value per unit</b>		<b>(Rupees) 10.20</b>

## CONTINGENCIES AND COMMITMENTS

12

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer



Director

# Profit and Loss Account

For the period from 20 January 2015 to 30 June 2015

	Note	2015 (Rupees in '000)
<b>Income</b>		
Rental income		193,662
Marketing income		6,282
		<b>199,944</b>
Administration and operating expenses	13	(18,619)
		<b>181,325</b>
Other income - mark-up on bank deposits		98
		<b>181,423</b>
Management fee	10	(5,300)
Sindh Sales Tax on management fee	10.1	(922)
Federal Excise Duty on management fee		(848)
Trustee fee	11	(907)
Provision for Workers' Welfare Fund		(3,469)
		<b>(11,446)</b>
<b>Profit before taxation</b>		<b>169,977</b>
Taxation	14	-
<b>Profit after taxation</b>		<b>169,977</b>
		<b>(Rupees)</b>
<b>Earnings per unit - Basic and diluted</b>	15	<b>0.08</b>

The annexed notes 1 to 22 form an integral part of these financial statements.

The scheme started its commercial activities from 01 June 2015.



Chief Executive Officer



Director

# Statement of Comprehensive Income

For the period from 20 January 2015 to 30 June 2015

	Note	2015 (Rupees in '000)
<b>Profit for the period</b>		169,977
Other comprehensive income		-
<b>Total comprehensive income for the period</b>		<b>169,977</b>

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer



Director

# Cash Flow Statement

For the period from 20 January 2015 to 30 June 2015

	Note	2015 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>		169,977
Adjustments for:		
Mark-up on bank deposit		(98)
		169,879
Increase in current assets		
- Rent receivables		(34,514)
- Advances and other receivables		(16,797)
Increase in current liabilities		
- Payable to the REIT management company		6,222
- Security deposits		44,543
- Accrued expenses and other payables		104,254
Cash generated from operations		273,587
Taxes paid		(17,376)
Formation costs paid	10	(7,455)
Security deposits received		108,036
<b>Net cash generated from operations</b>		356,792
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for investment property		(5,559,250)
Mark-up received		1
<b>Net cash (used in) investing activities</b>		(5,559,249)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash flow from financing activities</b> - Proceeds from issuance of units		6,115,175
Cash and cash equivalents at end of the period	6	912,718

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer



Director

# Statement of Changes in Unit Holders' Fund

For the period from 20 January 2015 to 30 June 2015

	Note	Units	Reserves		Sub total	Unit holders' fund
			Premium on issue of units	Unappropriated profit		
----- (Rupees in '000) -----						
<b>Transactions with owners</b>						
Issue of units	7	22,237,000	-	-		22,237,000
Premium received on units subscription	7	-	555,925	-	555,925	555,925
Formation costs	16	-	(274,579)	-	(274,579)	(274,579)
		22,237,000	281,346	-	281,346	22,518,346
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	169,977	169,977	169,977
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	169,977	169,977	169,977
<b>Balance at 30 June 2015</b>		<b>22,237,000</b>	<b>281,346</b>	<b>169,977</b>	<b>451,323</b>	<b>22,688,323</b>

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer



Director

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 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 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 all the stock exchanges in Pakistan. 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 30 June 2015, ICPL hold 70 percent of units of the Scheme. The financial statements have been prepared and presented for the period from 20 January 2015 to 30 June 2015. The Scheme started its commercial activities from 01 June 2015. The date on which the Scheme is entitled to receive rent as agreed with the ICPL.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Real Estate Investment Trust Regulations, 2015 (REIT Regulation 2015) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, REIT Regulation 2015 or the directives issued by the SECP shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared on the basis of 'historical cost convention'.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the functional currency and has been rounded to the nearest thousand except otherwise started.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 2.4 Use of significant estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Scheme's financial statements or where judgment was exercised in application of accounting policies principally related to valuation of investment properties (note 3.1 & 4).

## 2.5 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Scheme's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements' IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Scheme's financial statements.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015 replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Scheme's financial statements
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Scheme's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Scheme's financial statements
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Scheme's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Company's unconsolidated financial statements. Sale or

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

- Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Scheme's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### 3.1 Investment properties

Investment properties are the properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognised in profit and loss account.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

The Scheme determines the fair value of its investment properties after every six months by a qualified valuer fulfilling the minimum criteria stated by the REIT Regulations, 2015.

Subsequent costs are included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Scheme and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

## 3.2 Financial assets

The non-derivative financial assets are recognised at the time when the Scheme becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade date. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

## 3.3 Rent receivables, advances and other receivables

These are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of receivable. Items considered irrecoverable are written off. The Scheme reviews its receivable against provision required on an ongoing basis and if required, appropriate provision is made there against.

## 3.4 Financial liabilities

Financial liabilities includes security deposits, trade payables, accrued and other liabilities and are recognised at the time when the Scheme becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

## 3.5 Provisions

Provisions are recognised when the Scheme has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

## 3.6 Impairment

### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

## *Non-financial assets*

The carrying amounts of the Scheme's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.7 Cash and cash equivalents**

Cash and cash equivalents for cash flow purposes include cash in hand and balances held with banks.

### **3.8 Revenue recognition**

Rental income from investment properties including incentives is recognised as revenue on a straight line basis over the non cancellable period of the lease, unless another systematic basis is more representative of the time pattern in which use benefit derived from the investment properties is diminished.

Ancillary and marketing income is recognised when the event is happened.

Mark-up / return on bank deposits is recognised using effective yield method.

### **3.9 Taxation**

Income of the Scheme is exempt from income tax under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year / period as reduced by capital gains whether realised and 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 Scheme is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Scheme provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Scheme also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Scheme has not recognised any amount in respect of taxation in these financial statements as the

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

RMC intends to distribute more than ninety percent of its accounting income for the current period subsequent to the period end and intend to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

## 3.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Scheme intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 3.11 Net assets value per unit

The net assets value (NAV) per unit as disclosed on the balance sheet is calculated by dividing the net assets of the Scheme by the number of units outstanding at the period / year end.

## 3.12 Earnings per unit

Earnings per unit (EPU) is calculated by dividing the profit or loss attributable to units holders' of the Scheme by the weighted average number of units outstanding during the period / year.

## 3.13 Proposed distribution

Distributions are recognised in the period in which such distributions are declared / approved.

## 4 INVESTMENT PROPERTY

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 (270,273 square feet) i.e. having a total covered area of 1,567,680 square feet with 15,201.68 square yards undivided share in the Plot bearing No. HC-3, Block 4, DA, Scheme 5, Marine Drive, Karachi.

The investment property has been valued by National Engineering Services Pakistan (Pvt.) Limited ('NESPAC' or 'the Valuer') as at 14 November 2014 and bi-annually as at 30 June 2015 which are summarised as below. The Valuer used all prescribed approaches to value the investment properties.

	'30 June 2015	'14 November 2014
	(Rupees in billion)	
<b>Valuations by NESPAC:</b>		
<b>Cost Approach</b>	<b>18.161</b>	18.161
<b>Sales Comparison Approach</b>	<b>51.946</b>	51.400
<b>Income Capitalization Approach</b>		
(Valuer's Assessment of rental income – using 7% capitalization rate)	<b>45.360</b>	43.208
<b>Income Capitalization Approach</b>		
based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate)	<b>34.183</b>	33.362

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

The investment property has been purchased as a single, mixed-use, managed property. At the time of acquisition of investment property, the valuation of 22 billion based on 10 percent capitalization rate on the projected Net Operating Income (NOI) was agreed. The Investment Property is inclusive of property transfer duties and taxes paid by International Complex Projects Limited's (the seller) of rounded amount Rs. 237 million. The acquisition costs (transaction value) and the Fair Value method as stated were approved as part of the Business Plan and Offering Document by the SECP on which the Scheme fund size was based.

NESPAK in an opinion dated 17 August 2015 has stated that:

- Out of three approaches identified in REIT Regulations, "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.
- It is common market trend that generally the commercial properties are acquired on rent at the beginning of the year or at the start of new financial year (1st of July). Therefore, we consider that during the period between mid of May 2015 to June 2015 (one and half month), there may not be any significant change in net operating income of the discussed property to impact its value.

Based on the above, the management considers that there is no significant change in value of investment property from the date of acquisition (22 May 2015) till period ended 30 June 2015. Accordingly, management has decided to carry the investment property at its costs as at 30 June 2015.

<b>5 ADVANCES AND OTHER RECEIVABLES</b>	<b>Note</b>	<b>2015 (Rupees in '000)</b>
<b>Unsecured - Considered good</b>		
Receivable from the ICPL	5.1	<b>16,797</b>
Advance tax		<b>17,376</b>
		<b>34,173</b>
<b>5.1</b> This represents amount receivable from the ICPL on account of security deposit of tenants which has not been transferred due to certain adjustments with tenants.		
<b>5.2</b> Advances and other receivables are neither past due nor impaired.		
<b>6 BANK BALANCES</b>		
Deposit accounts	6.1	<b>363,550</b>
Current accounts	6.2	<b>549,168</b>
		<b>912,718</b>
<b>6.1</b> This represent deposits held in riba free saving accounts maintained with Meezan Bank Limited and Habib Bank Limited carrying profit rates ranging from 2.5% to 4.0% per annum.		
<b>6.2</b> This amount represents the balances held in different bank accounts in respect of IPO which is transferred to deposit account subsequent to period end.		

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 7 UNIT HOLDERS' FUND

### 7.1 Issued, subscribed and paid up units

2015			
Number of units			
1,667,775,000	Ordinary shares of Rs.10/- each		
555,925,000	- fully paid in kind	7.1.1	16,677,750
	- fully paid in cash		5,559,250
<u>2,223,700,000</u>			<u>22,237,000</u>

**7.1.1** The Scheme issued 1,667,775,000 units on 29 May 2015 in the name of the ICPL in lieu of transfer of investment property (the Dolmen City Mall and the Harbour Front). The Scheme has received Rs. 4,586.381 million against book building portion of 416,943,750 units from various institutions and individuals during 08 June 2015 and 09 June 2015 and issued units at strike price of Rs. 11 per unit. The remaining 138,981,250 units of the Scheme were offered to general public on 12 June 2015 at Rs. 11 per unit. Accordingly, premium on units of Rs. 555.925 million has been recorded.

7.2 Pattern of units holding	Percentage	Units Held Number
International Complex Projects Limited	70%	1,556,590,000
Arif Habib Dolmen REIT Management Limited	5%	111,185,000
Others / general public	25%	555,925,000
		<u>2,223,700,000</u>

## 8 FORMATION COSTS PAYABLE TO MANAGEMENT COMPANY - Unsecured - Interest free

Formation costs	8.1	274,579
Current maturity		(59,492)
		<u>215,087</u>

**8.1** This represent amount payable on account of formation costs incurred by RMC to launch Dolmen City REIT under the provisions of Trust Deed and prospectus (refer note 16). This is interest free and is reimbursable to the RMC in equal amounts paid annually over a period of 5 (five) years.

## 9 SECURITY DEPOSITS

Security deposits from tenants	152,579
Less: current portion shown under current liabilities	(44,543)
	<u>108,036</u>

**9.1** This represents amounts received from certain tenants of the investment properties as security deposit under tenancy agreements.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 10 PAYABLE TO MANAGEMENT COMPANY

Management fee payable	10.1	5,300
Sindh Sales Tax	10.1	922
		<u>6,222</u>
Current portion of formation costs	8	59,492
Formation costs incurred by the Scheme on behalf of RMC net of advances received		(7,455)
		<u>52,037</u>
		<u>58,259</u>

- 10.1** Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of NOI of the Scheme. However, the RMC has charged its remuneration at a fixed amount of Rs. 5.3 million for the period ended 30 June 2015. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the RMC through Sindh Sales Tax Act, 2011.

## 11 ACCRUED EXPENSES AND OTHER LIABILITIES

Trustee fee payable	11.1	907
Payable to an associated undertakings		13,089
Unearned rental income		78,613
Provision for government levies		3,634
Provision for Worker's Welfare Fund	11.2	3,469
Insurance payable		2,917
Federal Excise duty payable		848
Accrued expenses		777
		<u>104,254</u>

- 11.1** The Trustee is entitled to an annual fees 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 fee at a rate of 0.5% of the annual Net Operating Income during the period.

- 11.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), thus rendering the Scheme liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. However, in 2013, a larger bench of Sindh High Court (SHC) passed an order declaring that the amendments introduced through Finance Act 2008 do not suffer from any constitutional and legal infirmity. Both the decisions of LHC and SHC are pending before Supreme Court for adjudication. However, the RMC, as a matter of abundant caution, has decided to record the provision for WWF amounting to Rs. 3.469 million. Had the same not been made the net assets value per unit of the Scheme would have been higher by Rs 0.002 per unit.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 June 2015.

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 13 ADMINISTRATIVE AND OPERATING EXPENSES

For the period  
ended from 20 January  
2015 to 30 June 2015  
(Rupees in '000)

Monitoring fee	13.1	1,853
Property management fee		8,830
Marketing expenses		976
Ancillary income collection fee		942
Insurance expense		2,917
Property tax		1,781
Auditors' remuneration		500
Others		820
		<u>18,619</u>

### 13.1 Monitoring fees

Under the provisions of REIT Regulations, 2015, the scheme is required to pay an annual fee to SECP an amount equals to 0.10% of initial REIT Fund.

## 14 TAXATION

The Scheme's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. However, the Scheme has not recognised any amount in respect of taxation in these financial statements as the RMC has distributed sufficient amount of the Scheme's accounting income as reduced by capital gains, whether realised or unrealised, to its unit holders subsequent to period end (refer note 20).

## 15 EARNINGS PER UNIT

For the period ended  
from 20 January 2015  
to 30 June 2015  
(Rupees in '000)

Profit after taxation	<u>169,977</u>
	<b>Numbers</b>
Weighted average number of ordinary units during the period	<u>2,223,700,000</u>
	<b>(Rupees)</b>
Earnings per unit - Basic and dilutive	<u>0.08</u>

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 16 FORMATION COSTS

This represents all preliminary and floatation expenses of the Trust including expenses incurred in connection with the establishment and registration of the REIT Scheme as well as the offer for sale, allotment and issuance of unit including commission payable to the underwriter, listing fee, underwriting commission and takeup commission, commission to the banker to the issue etc. These have been charged against units premium received during the period as permitted by section 83 of the Companies Ordinance, 1984.

## 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, National Engineering Services Pakistan (Pvt.) Limited being valuer, International Complex Projects Limited being the Holding Company, Dolmen Real Estate Management (Pvt.) Limited, being property manager, connected person, associated companies, directors and key executives of the RMC, trustee, valuer and promoter of RMC.

The services provided under RIET 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 conflict 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:

<b>17.1 Transactions during the period:</b>	<b>2015</b>
	<b>(Rupees in '000)</b>
<b>International Complex Projects Limited</b>	
- Rental income	2,844
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>	
- Ancillary income collection fee	942
- Common area maintenance charges	521
<b>17.2 Amounts outstanding as at period end</b>	
<b>International Complex Projects Limited</b>	
- Receivable in respect of security deposits of tenants	16,797
- Rent receivable	2,844
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>	
- Ancillary income collection fee payable	942
- Common area maintenance charges payable	521

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 18 FINANCIAL RISK MANAGEMENT

### Risk management framework

The Scheme activities exposes it to varying degrees of risk.

Risk is inherent in the Scheme's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established in the Scheme's constitutive documents and REIT Regulations, 2015 and directives of the SECP. The Board of Directors of the RMC supervises the overall risk management approach within the Scheme.

The Scheme has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk

### 18.1 Credit risk

Credit risk is the risk of a financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Scheme, as and when they fall due.

The maximum exposure to credit risk at the reporting date is:

	2015 (Rupees in '000)
Rent receivables	34,514
Receivable from the ICPL	16,797
Interest accrued	97
Bank balances	<u>912,718</u>
	<u>964,126</u>

The RMC and property manager monitors tenants' balances on an ongoing basis. Credit evaluations are performed by the property manager before lease agreements are entered into with tenants.

The carrying value of the rent receivables and advance and receivable from the ICPL are neither past due and nor impaired as at 30 June 2015 and are ageing of maximum one month.

Bank balances are held with reputable banks having high quality external credit ratings as follows:

Bank	Rating by	Rating	
		Short term	Long term
HBL Bank Limited	JCR-VIS	A-1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

## 18.2 Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Scheme.

The Scheme's policy is to manage this risk by investing majority of its assets in investment properties which are rental based properties.

The Scheme maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

### Maturity analysis for financial liabilities

The table below analysis the Scheme's financial liabilities into relevant maturity groupings based on remaining period at balance sheet date to the contractual maturity date.

	Carrying amount	Contractual Cash flows	up to one year	Two to five year
	----- (Rupees in '000) -----			
Formation costs payable to management company	267,124	267,124	52,037	215,087
Payable to management company	5,300	5,300	5,300	-
Security deposits	152,579	152,579	44,543	108,036
Accrued expenses and other liabilities	17,690	17,690	17,690	-
	<b>442,693</b>	<b>442,693</b>	<b>119,570</b>	<b>323,123</b>

## 18.3 Unit holders' capital risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns based on income earned and realised gains as per Trust deed to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Scheme manages its investment properties and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The Scheme is not exposed to externally imposed minimum unit holders' maintenance requirement.

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

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).

# Notes to the Financial Statements

For the period from 20 January 2015 to 30 June 2015

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.

## 20 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the RMC in their meeting held on 21<sup>st</sup> September 2015 have proposed final cash dividend for the period from 20 January 2015 to 30 June 2015 of Rs. 0.08 per unit amounting to Rs. 169.977 million. These financial statements do not include the effect of above proposals which will be accounted for in the period in which it is approved by the unit holders'.

## 21 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the RMC on 21<sup>st</sup> September 2015.

## 22 GENERAL

This is the first financial statements of the scheme therefore, there are no corresponding figures from previous years to report.

**For Arif Habib Dolmen REIT Management Limited  
(REIT Management Company)**



Chief Executive Officer



Director

# Pattern of Unit Holding

As of June 30, 2015

# Of Unit holders	Unit Holding'Slab	Total Units Held
3	1 to 100	13
2561	101 to 500	1,279,997
1776	501 to 1000	1,776,000
1273	1001 to 5000	3,560,790
270	5001 to 10000	2,438,400
37	10001 to 15000	511,500
43	15001 to 20000	840,000
37	20001 to 25000	918,000
16	25001 to 30000	460,000
2	30001 to 35000	70,000
8	35001 to 40000	310,500
10	40001 to 45000	439,500
37	45001 to 50000	1,819,700
2	50001 to 55000	107,000
7	55001 to 60000	414,200
6	60001 to 65000	380,531
6	65001 to 70000	412,167
9	70001 to 75000	662,125
57	75001 to 80000	4,553,425
13	80001 to 85000	1,087,626
12	85001 to 90000	1,069,391
15	90001 to 95000	1,381,009
54	95001 to 100000	5,386,652
4	100001 to 105000	406,930
7	105001 to 110000	762,217
5	115001 to 120000	591,851
10	120001 to 125000	1,241,749
2	125001 to 130000	255,450
6	130001 to 135000	794,293
6	135001 to 140000	816,892
4	140001 to 145000	574,500
3	145001 to 150000	446,666
5	155001 to 160000	792,750
1	160001 to 165000	165,000
3	165001 to 170000	499,932
5	170001 to 175000	866,826
1	175001 to 180000	180,000
3	180001 to 185000	549,000
1	190001 to 195000	195,000
11	195001 to 200000	2,196,000
1	200001 to 205000	204,582
3	205001 to 210000	624,305
3	215001 to 220000	654,391
1	225001 to 230000	227,066
1	230001 to 235000	230,769
2	240001 to 245000	488,478
1	245001 to 250000	250,000



# Of Unit holders	Unit Holding'Slab		Total Units Held	
1	255001	to	260000	258,620
2	265001	to	270000	536,000
1	270001	to	275000	272,500
1	280001	to	285000	283,000
5	295001	to	300000	1,500,000
1	315001	to	320000	318,000
1	330001	to	335000	333,000
1	335001	to	340000	337,000
1	350001	to	355000	353,982
1	355001	to	360000	357,000
1	360001	to	365000	363,500
1	370001	to	375000	375,000
7	395001	to	400000	2,800,000
1	400001	to	405000	404,000
1	405001	to	410000	409,165
1	415001	to	420000	416,500
1	430001	to	435000	434,700
1	435001	to	440000	439,000
1	445001	to	450000	450,000
2	450001	to	455000	909,545
1	465001	to	470000	467,500
7	495001	to	500000	3,500,000
1	500001	to	505000	502,459
1	525001	to	530000	526,704
1	545001	to	550000	550,000
1	565001	to	570000	566,500
1	710001	to	715000	710,869
2	765001	to	770000	1,538,460
6	830001	to	835000	4,999,998
1	850001	to	855000	851,060
1	865001	to	870000	869,700
2	905001	to	910000	1,818,000
2	995001	to	1000000	2,000,000
1	1130001	to	1135000	1,130,437
1	1295001	to	1300000	1,300,000
1	1330001	to	1335000	1,333,333
1	1360001	to	1365000	1,363,000
1	1555001	to	1560000	1,558,333
1	1765001	to	1770000	1,770,000
1	1895001	to	1900000	1,900,000
4	1995001	to	2000000	8,000,000
1	2195001	to	2200000	2,200,000
1	2395001	to	2400000	2,400,000
2	2495001	to	2500000	5,000,000
1	2595001	to	2600000	2,600,000
2	2725001	to	2730000	5,456,695
1	2840001	to	2845000	2,843,478



# Pattern of Unit Holding

As of June 30, 2015

# Of Unit holders	Unit Holding'Slab		Total Units Held	
1	3155001	to	3160000	3,158,500
1	3595001	to	3600000	3,600,000
1	3995001	to	4000000	4,000,000
1	4020001	to	4025000	4,020,631
1	4495001	to	4500000	4,500,000
1	5910001	to	5915000	5,913,400
1	5965001	to	5970000	5,968,666
1	6995001	to	7000000	7,000,000
1	8180001	to	8185000	8,182,000
1	8495001	to	8500000	8,500,000
1	8710001	to	8715000	8,712,120
1	8995001	to	9000000	9,000,000
1	9085001	to	9090000	9,090,000
1	9170001	to	9175000	9,175,000
1	10690001	to	10695000	10,693,648
1	13630001	to	13635000	13,633,000
1	17340001	to	17345000	17,341,804
1	18015001	to	18020000	18,018,018
1	22055001	to	22060000	22,058,602
1	33330001	to	33335000	33,333,333
1	40375001	to	40380000	40,375,450
1	40995001	to	41000000	41,000,000
1	41440001	to	41445000	41,441,000
1	41685001	to	41690000	41,690,000
1	72315001	to	72320000	72,319,617
1	111180001	to	111185000	111,185,000
1	1556585001	to	1556590000	1,556,590,000
<b>6448</b>				<b>2,223,700,000</b>



# Pattern of Unit Holding

As of June 30, 2015

Categories of Unit holders	Unit holders	Unit Held	Percentage
<b>Directors and their spouse(s) and minor children</b>	0	-	-
<b>Associated Companies, undertakings and related parties</b>			
INTERNATIONAL COMPLEX PROJECTS LTD.	1	1,556,590,000	70.00
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED	1	111,185,000	5.00
ARIF HABIB CORPORATION LIMITED	1	10,693,648	0.48
<b>Executives</b>	-	-	-
<b>Public Sector Companies and Corporations</b>	3	49,829,995	2.24
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	14	309,370,841	13.91
<b>Mutual Funds</b>			
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	4,000,000	0.18
CDC - TRUSTEE MEEZAN BALANCED FUND	1	2,728,000	0.12
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	526,704	0.02
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	2,000,000	0.09
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	502,459	0.02
CDC - TRUSTEE ABL STOCK FUND	1	2,000,000	0.09
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	2,400,000	0.11
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	3,600,000	0.16
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	2,500,000	0.11
<b>General Public</b>			
a. Local	6372	104,767,855	4.71
b. Foreign	1	1,500	0.00
Foreign Companies	1	2,500,000	0.11
Others	45	58,503,998	2.63
<b>Totals</b>	<b>6448</b>	<b>2,223,700,000</b>	<b>100.00</b>

Unit holders holding 5% or more	Units Held	Percentage
INTERNATIONAL COMPLEX PROJECTS LTD.	1,556,590,000	70.00
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED	111,185,000	5.00



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