



KPMG Taseer Hadi & Co.  
Chartered Accountants

**Dolmen City REIT**

**Financial Statements**  
For the year ended 30 June 2017



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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### **Auditors' Report to the Unit Holders**

We have audited the annexed balance sheet of **Dolmen City REIT** ("the Scheme") as at 30 June 2017 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 year ended 30 June 2017 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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- a) In our opinion, proper books of account have been kept by the REIT Management Company as required by the repealed Companies Ordinance, 1984;
- b) In our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Scheme's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Scheme;
- c) In our opinion and to the best of our information and according to the explanations given to us, 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 repealed 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 2017 and of the profit, its cash flows and changes in unit holders' fund for the year then ended; and



KPMG Taseer Hadi & Co.

- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Scheme and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Date: 01 August 2017**

**Karachi**

*KPMG Taseer Hadi & Co.*

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

# Dolmen City REIT

## Balance Sheet

As at 30 June 2017

	Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Total non current assets - Investment property</b>	4	<b>38,839,964</b>	37,658,988
<b>Current assets</b>			
Rent receivables	5	91,135	85,355
Advances, prepayments and other receivables	6	258,051	256,395
Profit accrued		25,171	58,317
Investments	7	-	700,000
Bank balances	8	3,185,531	2,126,862
<b>Total current assets</b>		<b>3,559,888</b>	3,226,929
<b>Total assets</b>		<b>42,399,852</b>	40,885,917
<b>REPRESENTED BY:</b>			
<b>Unit holders' fund</b>			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)	9	22,237,000	22,237,000
Reserves:			
- Premium on issue of units - net	10	281,346	281,346
- Unappropriated profit		19,217,152	17,742,680
<b>Total unit holders' fund</b>		<b>41,735,498</b>	40,261,026
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Formation costs payable to REIT management company	11	105,255	160,171
Security deposits	12	88,020	137,559
<b>Total non-current liabilities</b>		<b>193,275</b>	297,730
<b>Current liabilities</b>			
Payable to REIT management company	13	78,531	77,725
Security deposits	12	140,713	46,709
Accrued expenses and other liabilities	14	251,835	202,727
<b>Total current liabilities</b>		<b>471,079</b>	327,161
<b>Total unit holders' fund and liabilities</b>		<b>42,399,852</b>	40,885,917
		(Rupees)	
<b>Net assets value per unit</b>		<b>18.77</b>	18.11
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

**Dolmen City REIT**  
**Profit and Loss Account**  
*For the year ended 30 June 2017*

	Note	2017 (Rupees in '000)	2016
<b>Income</b>			
Rental income		2,841,578	2,526,630
Marketing income		167,991	137,829
		<u>3,009,569</u>	<u>2,664,459</u>
Administrative and operating expenses	16	(427,612)	(345,283)
<b>Net operating income</b>		<u>2,581,957</u>	<u>2,319,176</u>
Other income - profit on deposits		123,085	108,935
		<u>2,705,042</u>	<u>2,428,111</u>
Management fee	13.1	(77,459)	(69,575)
Federal Excise Duty on management fee	14.5	-	(11,132)
Sindh Sales Tax on management fee	13.1	(10,070)	(11,299)
Trustee remuneration	14.1	(12,910)	(11,596)
Sindh Sales Tax on trustee remuneration	14.1	(1,678)	(1,623)
Reversal of provision for Workers' Welfare Fund	14.3	3,469	-
Charity expense	14.4	(250)	(2,236)
		<u>(98,898)</u>	<u>(107,461)</u>
<b>Profit before change in fair value of investment property</b>		<u>2,606,144</u>	<u>2,320,650</u>
Change in fair value of investment property	4	1,180,976	15,421,988
<b>Profit before taxation</b>		<u>3,787,120</u>	<u>17,742,638</u>
Taxation	17	-	-
<b>Profit after taxation for the year</b>		<u><u>3,787,120</u></u>	<u><u>17,742,638</u></u>
<b>(Rupees)</b>			
Earnings per unit - Distributable income		1.17	1.04
Earnings per unit - Undistributable unrealised fair value gains		0.53	6.94
<b>Earnings per unit - Basic and diluted</b>	19	<u><u>1.70</u></u>	<u><u>7.98</u></u>

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



Chief Executive Officer



Director



Chief Financial Officer

Dolmen City REIT  
Statement of Comprehensive Income  
For the year ended 30 June 2017

	2017 (Rupees in '000)	2016
Profit after taxation for the year	3,787,120	17,742,638
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>3,787,120</u></b>	<b><u>17,742,638</u></b>

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

  
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Chief Executive Officer

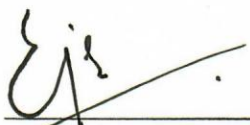
  
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Director

  
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Chief Financial Officer

**Dolmen City REIT**  
**Cash Flow Statement**  
For the year ended 30 June 2017

	2017	2016
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>3,787,120</b>	17,742,638
Adjustments for:		
Change in fair value of investment property	(1,180,976)	(15,421,988)
Profit on deposits	(123,085)	(108,935)
Provision against rent receivables	25,669	-
Provision against advance tax	4,728	-
	<u>2,513,456</u>	<u>2,211,715</u>
<b>Working capital changes</b>		
<i>(Increase) / decrease in current assets</i>		
- Rent receivables	(31,449)	(50,841)
- Advances, prepayment and other receivables	2,944	13,016
<i>Increase in current liabilities</i>		
- Payable to the REIT management company	806	16,587
- Security deposits - net	44,465	31,689
- Accrued expenses and other liabilities	49,108	98,473
Cash generated from operations	<u>2,579,330</u>	2,320,639
Taxes paid	(9,328)	(235,238)
Formation costs paid - (net)	(54,916)	(52,037)
<b>Net cash generated from operations</b>	<u>2,515,086</u>	2,033,364
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Profit on deposits received	156,231	50,715
Redemption of / (investments in) term deposit receipts	700,000	(700,000)
<b>Net cash from / (used in) investing activities</b>	856,231	(649,285)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash (used in) financing activities - Dividend paid</b>	(2,312,648)	(169,935)
Net increase in cash and cash equivalents during the year	<u>1,058,669</u>	1,214,144
Cash and cash equivalents at beginning of the year	8 <u>2,126,862</u>	<u>912,718</u>
Cash and cash equivalents at end of the year	<u><u>3,185,531</u></u>	<u><u>2,126,862</u></u>

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

**Dolmen City REIT**  
**Statement of Changes In Unit Holders' Fund**  
*For the year ended 30 June 2017*

	Units	Reserves		Sub total	Unit holders' fund
		Premium on issue of units - net Note 10	Unappropriated profit		
(Rupees in '000)					
<b>Balance as at 30 June 2015</b>	22,237,000	281,346	169,977	451,323	22,688,323
<b>Transactions with owners</b>					
Cash dividend for the period ended 30 June 2015 (Rs. 0.07642 per unit)	-	-	(169,935)	(169,935)	(169,935)
<b>Total comprehensive income for the year - Profit for the year</b>	-	-	17,742,638	17,742,638	17,742,638
<b>Balance as at 30 June 2016</b>	22,237,000	281,346	17,742,680	18,024,026	40,261,026
<b>Transactions with owners</b>					
Cash dividend for the year ended 30 June 2016 (Rs. 1.04 per unit)	-	-	(2,312,648)	(2,312,648)	(2,312,648)
<b>Total comprehensive income for the year - Profit for the year</b>	-	-	3,787,120	3,787,120	3,787,120
<b>Balance as at 30 June 2017</b>	<b>22,237,000</b>	<b>281,346</b>	<b>19,217,152</b>	<b>19,498,498</b>	<b>41,735,498</b>

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

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

# Dolmen City REIT

## Notes to the Financial Statements

For the year ended 30 June 2017

### 1 STATUS AND NATURE OF BUSINESS

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

The Trust Deed of the Scheme was registered on 20 January 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on 29 May 2015. The Scheme is a Perpetual, Closed-end, Shariah Compliant, Rental REIT. The Scheme is listed on Pakistan Stock Exchange. The Scheme is rated "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 (ICPL). As at 30 June 2017, ICPL directly holds 70 percent units of the Scheme. The Scheme started its commercial activities on 01 June 2015.

### 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Real Estate Investment Trust Regulations, 2015 (REIT Regulations, 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 repealed Companies Ordinance, 1984, REIT Regulations, 2015 or the directives issued by the SECP shall prevail (refer note 2.6).

#### 2.2 Basis of measurement

These financial statements have been prepared on the basis of 'historical cost convention' except for investment property which is stated at fair value.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Scheme's accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

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Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years related to valuation of investment property (note 3.1 & 4) and rent receivable (note 3.3).

## 2.5 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2016 but are considered not to be relevant or do not have any significant effect on the the Scheme's financial statements and are therefore not stated in these financial statements.

## 2.6 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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Scheme's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Scheme's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Scheme's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Scheme's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

1.2.2017

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Scheme's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Scheme's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. The application of Companies Act 2017 is not likely to have financial impact on the Scheme's financial statements except extended disclosures.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below, which have been consistently applied to all the periods presented.

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### **3.1 Investment property**

Investment property is the property which is 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.

The Scheme determines the fair value of its investment property after every six months by a qualified valuer fulfilling the minimum criteria stated by the REIT Regulations, 2015. The valuer under REIT Regulations, 2015 is also required to carry out valuation on three approaches and explicitly state the approach that is most appropriate for the Scheme. The valuer has stated that Income Capitalization Approach - "Projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area" is the most appropriate/relevant approach used for income producing properties i.e. rental properties.

Subsequent costs are included in the carrying amount or recognised 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, prepayments and other receivables**

These are recognised initially at fair value and subsequently measured at amortized 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. These are initially recognised at fair value and subsequently stated at amortized cost.

A financial liability is derecognised when the obligation under the liability is discharged, 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.

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### **3.6 Impairment**

#### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is an 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.

An impairment loss in respect of a financial asset measured at amortized 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 amortization, 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 property 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 property is diminished.

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

Mark-up / return on 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 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.

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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 RMC has distributed sufficient accounting income for the current year subsequent to the year end 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 recognised amounts and the Scheme intends either to settle on a net basis or to realise 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 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 year.

### 3.13 Proposed distribution

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

4 INVESTMENT PROPERTY		2017	2016
		(Rupees in '000)	
Carrying amount at beginning of the year	4.1	37,658,988	22,237,000
Add: Change in fair value - unrealised		<u>1,180,976</u>	15,421,988
Carrying amount at end of the year		<u>38,839,964</u>	<u>37,658,988</u>

- 4.1 The Investment property comprise of the buildings named as the "DOLMEN CITY MALL" and the "HARBOUR FRONT", comprising of two Basements (460,438 square feet), Ground floor (241,052 square feet), Mezzanine Floor (19,879 square feet), First floor (275,399 square feet), Second floor (272,972 square feet), Plant and Transformer Rooms (27,667 square feet), Third to Nineteenth floors (270,271 square feet) i.e. having a total covered area of 1,567,678 square feet with 15,201.68 square yards undivided share in the Plot bearing No. HC-3, Block 4, DA, Scheme 5, Marine Drive, Karachi.

Upto 31 December 2016, the investment property was valued by National Engineering Services Pakistan (Private) Limited ('NESPAK'). MYK Associates (Private) Limited has been appointed on completion of the term of NESPAK. The valuation of investment property has been carried out by MYK Associates (Private) Limited, independent valuer ('MYK' or 'the Valuer') as at 30 June 2017. The Valuer used all prescribed approaches to value the investment property as per the clause 7 (a) of Schedule VI to the REIT Regulations, 2015. The valuation of MYK / NESPAK summarised below:

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Valuation carried out by	2017	2016
	MYK	NESPAK
	(Rupees in million)	
<b>Cost approach</b>	20,965	18,540
<b>Sales comparison approach</b>	57,186	51,946
<b>Income capitalization approach</b>		
(a) Valuer's assessment of rental income – using 7% capitalization rate	41,583	47,520
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	38,839	37,659

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

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

#### Significant unobservable inputs

	Sensitivity	
	Change in input	Effect on fair value (Rupees in '000)
- Present revenue (based on exiting leasing contracts)	± 5%	2,323,427
- Present operating costs (based on projected costs)	± 5%	(381,428)
- Capitalization rate	+ 1%	(4,854,996)
- Capitalization rate 1.2% 44470	- 1%	6,473,327

<b>5</b>	<b>RENT RECEIVABLES</b>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
	<b>Unsecured</b>		
	Considered good	91,135	85,355
	Considered doubtful	25,669	-
		<b>116,804</b>	<b>85,355</b>
	Less: Provision for doubtful balances	16 (25,669)	-
		<b>91,135</b>	<b>85,355</b>

<b>6</b>	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	<b>Considered good - unsecured</b>		
	Receivable from ICPL	-	2,908
	Security deposit	837	469
	Prepayments	-	404
	Advance tax	257,214	252,614
		<b>258,051</b>	<b>256,395</b>
	<b>Considered doubtful - unsecured</b>	4,728	-
		<b>262,779</b>	<b>256,395</b>
	Less: Provision for doubtful balances	16 (4,728)	-
		<b>258,051</b>	<b>256,395</b>

<b>7</b>	<b>INVESTMENTS</b>		
	These represented term deposit receipts with Islamic banks and carries expected profit rate of 7% per annum which matured during the year.		
<b>8</b>	<b>BANK BALANCES</b>		
	Term deposit receipts	8.1 2,502,342	1,842,859
	Saving accounts	8.2 680,953	281,767
	Current accounts	2,236	2,236
		<b>3,185,531</b>	<b>2,126,862</b>

8.1 These represent term deposit receipts with Islamic banks and these carry expected profit rate of 5.95% (2016: 5.63% to 6.65%) per annum with maturity of three months.

8.2 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.05% to 5.49% (2016: 2.0% to 6.35%) per annum.

**9 UNIT HOLDERS' FUND**

**9.1 Issued, subscribed and paid up units**

Number of units				
2017	2016			
1,667,775,000	1,667,775,000	Units of Rs.10/- each		
		- fully paid in kind	16,677,750	16,677,750
555,925,000	555,925,000	- fully paid in cash	5,559,250	5,559,250
<b>2,223,700,000</b>	<b>2,223,700,000</b>		<b>22,237,000</b>	<b>22,237,000</b>

12/11/2016

## 9.2 Pattern of units holding

2017		2016	
Percentage	Units Held	Percentage	Units Held
70%	1,556,590,000	70%	1,556,590,000
5%	111,185,000	5%	111,185,000
25%	555,925,000	25%	555,925,000
<b>100%</b>	<b>2,223,700,000</b>	<b>100%</b>	<b>2,223,700,000</b>

## 10 PREMIUM ON ISSUE OF UNITS - NET

This represents premium received amounted to Rs. 555.925 million against units issued to the general public / others at strike price of Rs. 11 per unit, which had been adjusted with formation costs of Rs. 274.579 million during the year ended 30 June 2015 as permitted by section 81 of the Companies Act, 2017 or section 83 of the repealed Companies Ordinance, 1984.

## 11 FORMATION COSTS PAYABLE TO REIT MANAGEMENT COMPANY - Unsecured - Interest free

2017  
2016  
(Rupees in '000)

Formation costs	11.1	160,171	215,087
Less: Current maturity		(54,916)	(54,916)
		<b>105,255</b>	<b>160,171</b>

11.1 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. This is interest free and is reimbursable to the RMC in equal amounts paid annually over a period of 5 (five) years.

## 12 SECURITY DEPOSITS

Security deposits from tenants	12.1	228,733	184,268
Less: current portion shown under current liabilities		(140,713)	(46,709)
		<b>88,020</b>	<b>137,559</b>

12.1 This represents amounts received from certain tenants of the investment property as security deposit under tenancy agreements.

## 13 PAYABLE TO REIT MANAGEMENT COMPANY

Management fee payable		19,360	18,484
Sindh Sales Tax		4,255	4,325
	13.1	<b>23,615</b>	<b>22,809</b>
Current portion of formation costs	11	54,916	54,916
		<b>78,531</b>	<b>77,725</b>

13.1 Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of NOI of the Scheme. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax on the remuneration of the RMC through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014. However the rate has been reduced from 14% to 13% effective from 1 July 2016.

*12/2/2016*

14	ACCRUED EXPENSES AND OTHER LIABILITIES	2017	2016	
		(Rupees in '000)		
	Trustee remuneration	14.1	14,588	13,219
	Provision for government levies		4,000	5,558
	Monitoring fee payable to SECP	16.1	22,237	22,237
	Payable to associated undertakings	14.2	23,065	20,024
	Unearned rental income		92,788	74,201
	Sales tax and withholding income tax		48,719	33,158
	Provision for Workers' Welfare Fund	14.3	-	3,469
	Charity payable	14.4	2,486	2,236
	Federal Excise Duty	14.5	11,980	11,980
	Takaful fee		2,143	2,917
	Accrued expenses and other liabilities		27,486	12,830
	Unclaimed dividend		2,343	898
			<u>251,835</u>	<u>202,727</u>

**14.1** The Trustee is entitled to an annual remuneration for services rendered at a rate of 0.6% of the annual NOI under the provisions of the REIT Regulations, 2015. However, the Trustee charged annual remuneration at a rate of 0.5% of the annual NOI during the year. The Sindh Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. However the rate has been reduced from 14% to 13% effective from 1 July 2016.

**14.2 Payable to Associated undertakings**

International Complex Projects Limited	1,819	1,819
Dolmen Real Estate Management (Private) Limited - Property Manager	21,246	18,205
	<u>23,065</u>	<u>20,024</u>

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

The RMC, after consultation with its legal counsel, is of the view that there hardly seems anything that could be changed in the review proceedings as the review petitions filed by FBR on the same issues that the SCP has already addressed and decided in the foregoing judgment. Accordingly, the provision made till 30 June 2015 of Rs. 3.469 million has been reversed in the financial statements for the year ended 30 June 2017.

*14.2/2017*

- 14.4 According to the instructions of the Shariah Advisor of the Scheme, any income earned by the Scheme through non shariah compliant avenues, such income / portion of the income earned on these non-shariah compliant avenues should be donated for charitable purposes.
- 14.5 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the RMC has been applied. The RMC is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honorable SHC through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act, 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the SHC, as directed, will have effect in the manner prescribed in the judgment. The SHC in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

The Sindh Revenue Board and the Federal Board of Revenue have filed appeals before SCP against the SHC's decision dated 2 June 2016, which is pending for decision. With effect from 01 July 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by Finance Act, 2016. Therefore, the Scheme has discontinued making the provision in this regard. As a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million has been maintained in the Scheme's Financial Statements.

## 15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 June 2017.

## 16 ADMINISTRATIVE AND OPERATING EXPENSES

	<i>Note</i>	2017	2016
		(Rupees in '000)	
SECP monitoring fee	16.1	22,237	22,237
Property management fee	16.2	193,123	177,716
Ancillary income collection fee	16.2	27,654	22,161
Common area maintenance charges		17,418	7,733
Legal and professional charges		6,137	4,413
Utility expenses		1,044	1,087
Marketing expenses		48,988	34,821
Takaful fee		28,727	33,619
Property and advertisement taxes		15,894	21,369
Auditors' remuneration	16.3	2,067	2,408
Renovation expense		25,309	13,817
Health check survey		5,263	-
Provision against rent receivables	5	25,669	-
Provision against advance tax	6	4,728	-
Others		3,354	3,902
		<u>427,612</u>	<u>345,283</u>

## 16.1 SECP monitoring fee

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.

## 16.2 Property management fee and ancillary income collection fee charged by Dolmen Real Estate Management (Private) Limited as a Property Manager.

## 16.3 Auditors' remuneration

	2017	2016
	(Rupees in '000)	
Audit Fee	1,200	1,200
Interim review fee	500	500
Code of corporate governance fee	75	75
Certifications	-	335
Government levies	142	158
Out of pocket expenses	150	140
	<u>2,067</u>	<u>2,408</u>

## 17 TAXATION

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

The Board of Directors of the RMC has distributed more than ninety percent of the Scheme's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash to avail the exemption (refer note 22). Accordingly, no tax provision has been made in the financial statements for the year ended 30 June 2017.

## 18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

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

*None*

18.1 Transactions during the year :	2017	2016
	(Rupees in '000)	
<b>International Complex Projects Limited</b>		
- Rental income	<u>37,538</u>	<u>34,126</u>
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	<u>17,418</u>	<u>7,733</u>
<b>Retail Avenue (Private) Limited</b>		
- Rental income	<u>7,230</u>	<u>6,571</u>
<b>Sindbad Wonderland (Private) Limited</b>		
- Rental income	<u>25,433</u>	<u>23,120</u>
<b>Summit Bank Limited</b>		
- Rental income	<u>29,745</u>	<u>26,935</u>
<b>18.2 Amounts outstanding as at year end</b>		
<b>International Complex Projects Limited</b>		
- Receivable in respect of security deposits of tenants	<u>-</u>	<u>2,908</u>
- Rent receivable	<u>171</u>	<u>341</u>
- Net payable in respect of purchase consideration of investment property	<u>1,819</u>	<u>1,819</u>
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	<u>540</u>	<u>331</u>
<b>Retail Avenue (Private) Limited</b>		
- Rent receivable	<u>66</u>	<u>613</u>
<b>Sindbad Wonderland (Private) Limited</b>		
- Rent receivable	<u>466</u>	<u>466</u>
<b>Summit Bank Limited</b>		
- Rent receivable	<u>1,004</u>	<u>1,004</u>
<b>19 EARNINGS PER UNIT - BASIC AND DILUTED</b>		
Profit after taxation for the year	<u>3,787,120</u>	<u>17,742,638</u>
	Number of units	
Weighted average number of ordinary units during the year	<u>2,223,700,000</u>	<u>2,223,700,000</u>
	(Rupees)	
Earnings per unit - basic and dilutive	<u>1.70</u>	<u>7.98</u>

K. S. Kulkarni

19.1

19.1 Earnings per unit comprises as	2017	2016
	(Rupees)	
Distributable income - earnings per unit	1.17	1.04
Undistributable unrealised fair value gains - earnings per unit	19.1.1 0.53	6.94
	<u>1.70</u>	<u>7.98</u>

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

## 20 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

### 20.1 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:

	2017	2016
	(Rupees in '000)	
Rent receivables	91,135	85,355
Advances and other receivables	837	3,377
Profit accrued	25,171	58,317
Investments	-	700,000
Bank balances	<u>3,185,531</u>	<u>2,126,862</u>
	<u>3,302,674</u>	<u>2,973,911</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 age wise analysis of rent receivable includes amount receivable within one year and above one year Rs. 73.534 million (2016 : Rs. 85.355 million) and Rs. 17.601 million (2016 : Rs. nil) net off provision for doubtful balances respectively. Above one year balances represents sales tax amounts which have not been paid by the tenants due to stay order granted by SHC.

WALLET

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+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A-1+	AA
UBL Ameen Islamic Bank Limited	JCR-VIS	A-1+	AAA
Bank Al-Falah Limited	PACRA	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA+

## 20.2 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.

	2017			
	Carrying amount	Contractual Cash flows	up to one year	Two to five year
	----- (Rupees in '000) -----			
Formation costs payable to REIT management company	160,171	160,171	54,916	105,255
Payable to REIT management company	19,360	19,360	19,360	-
Security deposits	228,733	228,733	140,713	88,020
Accrued expenses and other liabilities	72,111	72,111	72,111	-
	<b>480,375</b>	<b>480,375</b>	<b>287,100</b>	<b>193,275</b>
	2016			
	Carrying amount	Contractual Cash flows	up to one year	Two to five year
	----- (Rupees in '000) -----			
Formation costs payable to REIT management company	215,087	215,087	54,916	160,171
Payable to REIT management company	18,484	18,484	18,484	-
Security deposits	184,268	184,268	46,709	137,559
Accrued expenses and other liabilities	52,124	52,124	52,124	-
	<b>469,963</b>	<b>469,963</b>	<b>172,233</b>	<b>297,730</b>

### **20.3 Unit holders' capital risk management**

Management's objective when managing unit holders' funds is to safeguard the Scheme'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 property and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The Scheme is not exposed to externally imposed minimum unit holders' maintenance requirement.

### **21 FAIR VALUES**

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).

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

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

Fair value of the investment property is shown under note no.4.

### **22 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the RMC in their meeting held on 01 August 2017 have announced final cash dividend for the year ended 30 June 2017 of Rs. 1.15 per unit amounting to Rs. 2,557.255 million. These financial statements do not include the effect of above announcement which will be accounted for in the period in which it is approved.

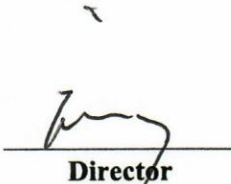
### **23 DATE OF AUTHORISATION FOR ISSUE**

The financial statements was authorised for issue by the Board of Directors of the RMC on 01 August 2017.

*K. R. K. S.*



Chief Executive Officer



Director



Chief Financial Officer