

DOLMEN CITY REIT

A SHARIAH COMPLIANT, LISTED,
CLOSED END RENTAL REIT SCHEME
HALF YEARLY REPORT DECEMBER 31, 2015

INVESTING IN SUCCESS

(REAL ESTATE INVESTMENT TRUST)



ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

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Management Company's Statements

Vision

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

Mission

To build upon our competitive advantage of being the first REIT management company of Pakistan by providing customer-centric full scale real estate investment related solutions to a 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



Scheme's Information

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



Report of the Directors of the Management Company

Dear Unit Holders

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, I am pleased to present the Half Yearly Directors' Review report of Dolmen City REIT (DCR), the Scheme, for the six month period and quarter ended December 31, 2015.

Operational Performance During the Period under Review

During the period under review, DCR has recorded rental income of PKR 1,200.628 million (PKR 607.225 million for the second quarter) and ancillary income of PKR 57.712 million (PKR 13.776 million for the second quarter). Administrative and operating expenses during the period were PKR 160.156 million (13.34% of rental income) and Net Operating Income was PKR 1,098.184 million (PKR 523.357 million for the second quarter). The Net Income of DCR for the half year period was PKR 2,776.820 million which includes unrealised fair value gain of PKR 1,691.164 million in the investment property. This translated into earnings of PKR 1.25 per unit which comprised of PKR 0.49 being distributable income and PKR 0.76 being undistributable unrealised fair value gain.

We are delighted that the occupancy level of DCR has reached 98.81% during the period under review (an increase from 95.15% in June 2015). During the quarter ended on December 31, 2015, a few renowned brands such as Habbit, Adidas and Golden Chick have joined the tenancy pool. The lease period of some tenants including Johnny Rockets ended during the quarter, however negotiation with a few renowned brands is underway to occupy the remaining vacant space. The overall Leasable Area during the half year period increased by 2,128 square feet (from previous 809,233 square feet in June 2015) resulted from area optimization and remeasurements at the time of handing over of areas to tenants. Current status of occupancy is as follows:

Lease Occupancy	Leasable Area	Leased Area December, 2015	Vacant Area	Occupancy
	(In square feet)			(In %)
Dolmen Mall Clifton	554,517	544,915	9,602	98.26%
The Harbour Front	256,844	256,844	-	100.00%
Total	811,361	801,759	9,602	98.81%

Change in occupancy level during the quarter under review is as follows:

Lease Occupancy	Leasable Area December, 2015	Leased Area September, 2015	Incremental Occupancy	Increase
	(In square feet)			(In%)
Dolmen Mall Clifton	544,915	511,642	33,273	6.50%
The Harbour Front	256,844	256,844	-	0%
Total	801,759	768,486	33,273	4.33%

Quarter to Quarter increase in rental income is as follows:

Rent Highlights	Rent 2 nd Quarter FY16 (Oct -Dec 2015)	Rent 1 st Quarter FY16 (July -Sep 2015)	Incremental Rent	Increase
	(PKR '000)			(In %)
Dolmen Mall Clifton	417,805	408,678	9,127	2.23%
The Harbour Front	189,420	184,725	4,695	2.54%
Total	607,225	593,403	13,822	2.33%



The property manager carried out significant marketing and branding activities during the quarter ended December 31, 2015.

The Great Festival: The festival was held from October 2, 2015 till October 11, 2015 and was organised in collaboration with the UK Trade and Investment (UKTI) to attract retail brands and receive international exposure. A lucky draw took place daily for a period of 10 days where the grand prize was a world tour ticket offered by Qatar Airways.



British Council installed first of its kind pop up library from October 7, 2015, captivating the audience through book reading sessions and Shakespeare acts. The event was covered by major newspapers. The footfall reached up to 262, 246 during the 11 days of the event.

Dolmen Shopping Festival: Dolmen Mall, Karachi's premier shopping destination, held the Dolmen Shopping Festival 2015 from December 18, 2015 to January 3, 2016. This annual celebration was our biggest event of the year and offered fun and festivities for the whole family. Throughout the festival, various activities were planned and prizes were given to customers through Lucky Draws and other engaging games.



The mall was adorned with a winter and shopping theme. Many internal and external brands participated in the festival by offering discounts, sales and other promotional offers. Our brand partners also provided over 4,000 giveaways and vouchers which were distributed through our games, daily lucky draws, grand lucky draws and gift hampers.

Emirates gave away return tickets to Dubai to 10 lucky draw winners at the closing ceremony.

The budget approved for the festival was PKR 13.79 million which was effectively used to ensure presence on broadcast, print, digital media. 49 billboards were used across the city to promote the festival while mall branding and activities inside the mall were conducted throughout the 17 days of the event.

In comparison to last year, footfall this year increased by 8% during the Dolmen Shopping Festival. Major brands offering sales resulted in a huge influx of people. Some of the notable sales were offered by, Agha Noor going up to 50%, Mango having their annual winter sale, Gul Ahmed giving up to 70% discounts while several other brands went up to 70% off on their entire store.

The objective of Dolmen Shopping Festival was to build a strong relationship with brands and customers which was significantly accomplished. While customers gave raving interviews, brands also appreciated the property manager's efforts and encouraged the team to hold more events like these.

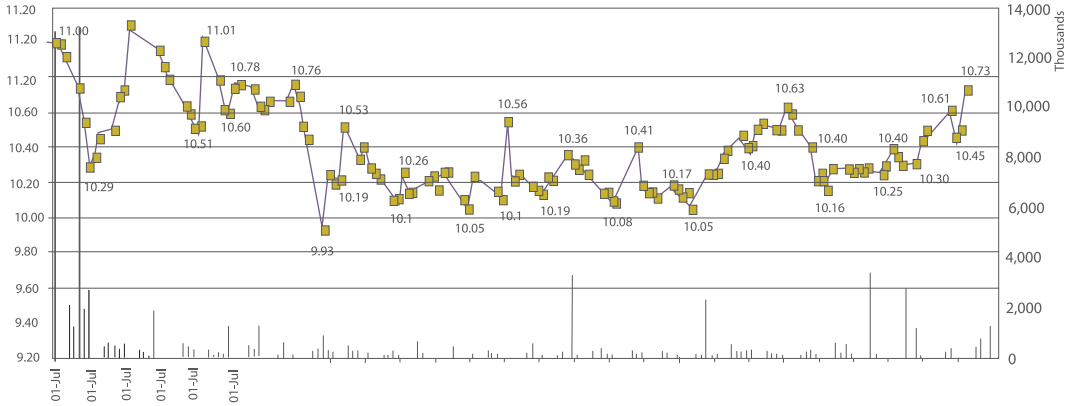
During the six months period in review, the property manager introduced major features and services to the Dolmen Mall and the Harbour Front. Dolmen magazine and a website of Dolmen Mall was launched for better accessibility to what the Mall has to offer its customers. It further introduced Dolmen Connect UAN for convenience of customers and Tenants to timely acquaint their queries and valued feedback. Harbour Front lobby has been revamped by adding a scanner machine for cargo scanning and inspection of items and an impulse ventilation system was inducted in the basements.



Stocks Performance

During the six months period under review, DCR traded on average Unit price of PKR 10.40 and touched a high of PKR 11.10 and low of PKR 9.93 per Unit.

**Stock Market Performance of DCR Unit
July 2015 to December 2015**



The Net Asset Value 'NAV' per Unit of DCR is PKR 11.38 at December 31, 2015. DCR on its closing Unit price of the December 31, 2015 traded at a discount of 5.7% to its NAV. The stock market remained highly volatile during the period in review, the stock of DCR remained fairly stable with beta of 0.42 and covariance with the market of only 0.33.

Acknowledgement

We are grateful to the Scheme's valued investors, the Securities & Exchange Commission of Pakistan, the management of Pakistan Stock Exchange, the Trustees of the Scheme, the Property Manager and Business Partners for their continued cooperation and support. We also appreciate the effort put in by the management team.

For and on behalf of the Board

Muhammad Ejaz
Chief Executive

Karachi
18 February 2016



Trustee Report to the Unit Holders

Report of the Trustee pursuant to Regulation 15(1)(xiv) of the Real Estate Investment Trust Regulations, 2015

We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Fund) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has in all material respects complied with the requirements of the Real Estate Investment Trust Regulations, 2015 during the period ended December 31, 2015.

-sd-

Muhammad Hanif Jakhura

Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 25, 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Report on Review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim balance sheet of Dolmen City REIT ("the Scheme") as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in unit holders' fund and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). REIT Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures of the condensed interim financial information for the quarter ended 31 December 2015, have not been reviewed and we do not express a conclusion on them.

Date: 18 February 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammed Nadeem

1994,78

4612,00

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED
31 DECEMBER 2015**



Condensed Interim Balance Sheet

As at 31 December 2015

	Note	Unaudited 31 December 2015	Audited 30 June 2015
(Rupees in '000)			
ASSETS			
Non-current assets			
Total non current assets - Investment property	6	23,928,164	22,237,000
Current assets			
Rent receivables		77,978	34,514
Advances, prepayments and other receivables	7	248,944	34,173
Interest accrued		23,937	97
Investments	8	700,000	-
Bank balances	9	951,062	912,718
Total current assets		2,001,921	981,502
Total assets		25,930,085	23,218,502
REPRESENTED BY:			
Unitholders' fund			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)		22,237,000	22,237,000
Reserves:			
- Premium on issue of units		281,346	281,346
- Unappropriated profit		2,776,862	169,977
Total unitholders' fund		25,295,208	22,688,323
Liabilities			
Non - current liabilities			
Formation costs payable to REIT management company		160,171	215,087
Security deposits		146,082	108,036
Total non-current liabilities		306,253	323,123
Current liabilities			
Payable to REIT management company	10	71,561	58,259
Security deposits		34,553	44,543
Accrued expenses and other liabilities	11	222,510	104,254
Total current liabilities		328,624	207,056
Total unit holders' fund and liabilities		25,930,085	23,218,502
(Rupees)			
Net assets value per unit		11.38	10.20
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes from 1 to 18 form an integral part of the condensed interim financial information.

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



Chief Executive Officer



Director

Condensed Interim Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 December 2015

	Note	Six months ended 31 December 2015	Quarter ended 31 December 2015
(Rupees in '000)			
Income			
Rental income		1,200,628	607,225
Marketing income		57,712	13,776
		1,258,340	621,001
Administrative and operating expenses	13	(160,156)	(97,644)
Net operating income		1,098,184	523,357
Change in fair value of investment property	6	1,691,164	1,691,164
Other income - mark-up on bank deposits		37,299	24,485
		2,826,647	2,239,006
Management fee		(32,946)	(15,313)
Sindh Sales Tax on management fee		(5,350)	(2,882)
Federal Excise Duty on management fee		(5,271)	(2,450)
Trustee fee		(5,491)	(2,553)
Sindh Sales Tax on trustee fee		(769)	(769)
Reversal of provision for Workers' Welfare Fund		-	11,236
		(49,827)	(12,731)
Profit before taxation		2,776,820	2,226,275
Taxation	14	-	-
Profit after taxation		2,776,820	2,226,275
(Rupees)			
Earnings per unit - basic and diluted	16	1.25	1.00

The annexed notes from 1 to 18 form an integral part of the condensed interim financial information.

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



Chief Executive Officer



Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 December 2015

	Six months ended 31 December 2015	Quarter ended 31 December 2015
	(Rupees in '000)	
Profit for the period	2,776,820	2,226,275
Other comprehensive income	-	-
Total comprehensive income for the period	2,776,820	2,226,275

The annexed notes from 1 to 18 form an integral part of the condensed interim financial information.

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



Chief Executive Officer



Director

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2015

Six months ended
31 December
2015

(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax	2,776,820
Adjustments for:	
Change in fair value of investment property	(1,691,164)
Mark-up on bank deposits	(37,299)
	1,048,357
Increase in current assets	
- Rent receivables	(43,464)
- Advances and other receivables	(22,772)
Increase in current liabilities	
- Payable to the REIT management company	10,423
- Accrued expenses and other payables	118,256
	1,110,800
Cash generated from operations	1,110,800
Taxes paid	(191,999)
Formation costs paid - (net)	(52,037)
Security deposits received	28,056
Net cash flow from operations	894,820

CASH FLOWS FROM INVESTING ACTIVITIES

Mark-up received	13,459
Investments in term deposit receipts	(700,000)
Net cash used in investing activities	(686,541)

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities - Dividend paid	(169,935)
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Net increase in cash and cash equivalents	38,344
Cash and cash equivalents at beginning of the period	912,718
Cash and cash equivalents at end of the period	951,062

The annexed notes from 1 to 18 form an integral part of the condensed interim financial information.

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



Chief Executive Officer



Director

Condensed Interim Statement of Changes in Unitholders' Fund (Unaudited)

For the six months period ended 31 December 2015

	Issued, subscribed and paid up units	Reserves		Sub total	Unitholders' fund
		Capital Premium on issue of units	Revenue Unappropriated profit		
(Rupees in '000')					
Balance as at 20 January 2015	-	-	-	-	-
Transactions with owners					
Issue of units	22,237,000	-	-	-	22,237,000
Premium received on units subscription	-	555,925	-	555,925	555,925
Formation costs	-	(274,579)	-	(274,579)	(274,579)
	22,237,000	281,346	-	281,346	22,518,346
Total comprehensive income for the period					
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
Balance as at 30 June 2015	22,237,000	281,346	169,977	451,323	22,688,323
Transactions with owners					
Cash dividend for the period ended 30 June 2015 (Rs. 0.07642 per unit)	-	-	(169,935)	(169,935)	(169,935)
Total comprehensive income for the period					
Profit for the period	-	-	2,776,820	2,776,820	2,776,820
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,776,820	2,776,820	2,776,820
Balance as at 31 December 2015	22,237,000	281,346	2,776,862	3,058,208	25,295,208

The annexed notes from 1 to 18 form an integral part of the condensed interim financial information.

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



Chief Executive Officer



Director

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 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 the Real Estate Investment Trust Regulations, 2015 (REIT Regulations 2015), promulgated and amended from time to time by the Securities & Exchange Commission of Pakistan (the SECP).

The Trust Deed of the Scheme was registered on 20 January 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on 29 May 2015. The Scheme is a Perpetual, Closed-end, Shariah Compliant, Rental REIT. The Scheme is listed on all the stock exchange in Pakistan (subsequent to period end due to demutualization, all stock exchanges are integrated into Pakistan Stock Exchange Limited). The Scheme is rated "RR1" by JCR-VIS Credit Rating Company Limited. The registered office of the REIT Management Company is situated at Arif Habib Center, 23 M.T. Khan Road, Karachi.

- 1.2** The Scheme is the subsidiary of International Complex Projects Limited (the ICPL). As at 31 December 2015, ICPL effectively holds 75 percent of units of the Scheme.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, REIT 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.

This condensed interim financial information do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Scheme's financial statements for the period ended 30 June 2015.

This is the first condensed interim financial information of the Scheme. Therefore, there are no corresponding figures from previous period to disclose.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is the Scheme's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the period ended 30 June 2015 except for the following standards which became effective during the period.

3.1 New, amended and revised Standards and Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial information of the Scheme.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2015

IFRS 13 'Fair Value Measurement', consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial information of the Scheme, except certain additional disclosures.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by RMC in applying the Scheme's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding financial statements of the Scheme as at and for the period ended 30 June 2015.

5 RISK MANAGEMENT

The Scheme's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements for the period ended 30 June 2015.

6 INVESTMENT PROPERTY

	Note	Unaudited December 31 2015 (Rupees in '000)	Audited June 30 2015
Carrying amount at beginning of the period	6.1	22,237,000	22,237,000
Add: Change in fair value - unrealised		1,691,164	-
Carrying amount at end of the period		<u>23,928,164</u>	<u>22,237,000</u>

6.1 The valuation of investment property has been carried out by National Engineering Services Pakistan (Private) Limited, independent valuer ('NESPAC' or 'the Valuer') as at 30 June 2015 and as at 31 December 2015 which are summarised as below. The Valuer used all prescribed approaches to value the investment property.

	December 31 2015 (Rupees in million)	June 30 2015
Cost approach	18,161	18,161
Sales comparison approach	51,946	51,946
Income capitalization approach		
Valuer's assessment of rental income – using 7% capitalisation rate	45,360	45,360
Income capitalization approach		
based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	34,183	34,183

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2015

“NESPAK in its valuation report 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.”

At the time of acquisition of investment property, the valuation of Rs. 22,000 million based on 10 percent capitalization rate on the projected Net Operating Income (NOI) was agreed and approved by SECP as a part of the Business Plan and Offering Document on which Scheme was based. Based on NESPAK’s opinion dated 17 August 2015, the management considered that there was no significant change in value of investment property from the date of acquisition (22 May 2015) till the period end 30 June 2015 and accordingly investment property was carried at its cost as at 30 June 2015. Subsequently, in response to the letter no COR/Dolmen-REIT/SECP/2015/23 dated 12 November 2015 in respect of “Approval on the Capitalization Rate used for determining Valuation of Real Estate of Dolmen City REIT Scheme using Income Capitalization Approach”, SECP through letter no. SEC/NBFC/DC/ 75/2015/105 dated 18 December 2015 allowed to use of 10 percent capitalization rate on the projected net operating income (NOI) for Dolmen City REIT real estate valuation, as already used in the Business Plan and disclosed in the Offering Document.

Accordingly, the value of the investment property has been determined based on annual projected net operating income while using 10 percent capitalization rate and unrealized gain of Rs. 1,691.164 million has been recorded as change in fair value of investment property during the period.

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

	Change in input	Sensitivity Effect on fair value (Rupees in '000)
- Present revenue (based on exiting leasing contracts)	+ 5%	1,350,936
- Present operating costs (based on projected costs)	+ 5%	(154,528)
- Capitalization rate	+ 1%	(2,175,291)
- Capitalization rate	- 1%	2,658,684

7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited December 31 2015	Audited June 30 2015
	(Rupees in '000)	
Unsecured - Considered good		
Receivable from ICPL	16,797	16,797
Prepayments	18,838	-
Advance to suppliers	3,934	-
Advance tax	209,375	17,376
	<u>248,944</u>	<u>34,173</u>

8 INVESTMENTS

These represent term deposit receipts with schedule rated Islamic banks and carries expected mark-up rate of 7% per annum with maturity of one year.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2015

9 BANK BALANCES

	Note	Unaudited December 31 2015 (Rupees in '000)	Audited June 30 2015
Term deposit receipts	9.1	805,001	-
Saving accounts	9.2	146,061	363,550
Current accounts		-	549,168
		<u>951,062</u>	<u>912,718</u>

9.1 These carry expected mark-up rate of 6.4% to 6.5% per annum with maturity of one to three months.

9.2 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.6% to 5.85% (30 June 2015: 2.5% to 4.0%) per annum.

10 PAYABLE TO REIT MANAGEMENT COMPANY

Management fee payable	10.1	13,954	5,300
Sindh Sales Tax		2,691	922
		<u>16,645</u>	<u>6,222</u>
Current portion of formation costs		54,916	59,492
Formation costs incurred by the Scheme on behalf of RMC net of advances received		-	(7,455)
		<u>54,916</u>	<u>52,037</u>
		<u>71,561</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. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 14% effective from 1 July 2015 on the remuneration of the RMC.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

Trustee fee payable		6,260	907
Monitoring fee payable to SECP		11,119	1,853
Payable to ICPL		1,819	1,819
Payable to property manager		14,590	11,270
Unearned rental income		105,874	78,613
Sales tax and withholding income tax payable		56,202	-
Provision for Workers' Welfare Fund	11.1	3,469	3,469
Federal Excise Duty payable	11.2	6,119	848
Takaful payable		-	2,917
Property tax payable		4,326	1,781
Accrued expenses and other liabilities		11,244	777
Unclaimed dividend		1,488	-
		<u>222,510</u>	<u>104,254</u>

11.1 There has been no change in the status of litigation relating to Workers' Welfare Fund as reported in financial statements of the Scheme for the period ended 30 June 2015.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2015

However, after the exclusion of the Mutual Funds from federal statute on Workers Welfare Fund, from 1 July 2015, the Scheme has discontinued making the provision in this regard. The provision made till 30 June 2015 has been maintained as the law suit is still pending in the SHC. Had the provision not been maintained, the Net Asset Value (NAV) per unit of the Scheme as at 31 December 2015 would have been higher by Rs. 0.0014 per unit (30 June 2015: Rs. 0.0015 per unit).

11.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the RMC has been applied. The RMC is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The High Court of Sindh in its order dated 09 September 2013 has granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the RMC has made a provision aggregating to Rs. 6.119 million. Had the provision not been made, the Net Asset Value (NAV) per unit of the Scheme as at 31 December 2015 would have been higher by Rs. 0.0021 per unit (30 June 2015: Rs. 0.0004 per unit).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2015.

13 ADMINISTRATIVE AND OPERATING EXPENSES

	Unaudited	
	Six months ended December 31 2015	Quarter ended December 31 2015
	(Rupees in '000)	
Monitoring fee	11,119	5,560
Property management fee	92,231	55,567
Ancillary income collection fee	9,409	4,630
Common area maintenance charges	3,995	1,144
Legal and professional charges	1,718	488
Utility expenses	270	140
Marketing expenses	14,355	14,355
Takaful fee	17,128	8,630
Property tax	6,986	5,698
Auditors' remuneration	721	596
Others	2,224	836
	<u>160,156</u>	<u>97,644</u>

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.

The Board of Directors of the RMC intends to distribute sufficient income distribution for the year ending 30 June 2016 to avail the exemption. Accordingly, no provision for tax has been recognized in the condensed interim financial information for the period ended 31 December 2015.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2015

15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include Arif Habib Dolmen REIT Management Limited being the Management Company, Central Depository Company of Pakistan Limited, being the Trustee to the Scheme, 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 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 condensed interim financial information are as follows:

15.1 Transactions during the period:

Unaudited
Six months ended
December 31
2015
(Rupees in '000)

International Complex Projects Limited

- Rental income 17,916

15.2 Amounts outstanding as at period end

Note	Unaudited December 31 2015 (Rupees in '000)	Audited June 30 2015
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International Complex Projects Limited

- Receivable in respect of security deposits of tenants	16,797	16,797
- Rent receivable	341	2,844
- Net payable in respect of purchase consideration of investment property	1,819	1,819

16 EARNINGS PER UNIT - BASIC AND DILUTED

	Unaudited Six months ended December 31 2015 (Rupees in '000)	Quarter ended December 31 2015
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Profit after taxation	2,776,820	2,226,275
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Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000
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Earnings per unit - Basic and diluted	1.25	1.0
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16.1

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2015

16.1 Earnings per unit comprises as follows:

		Unaudited	
		Six months ended	Quarter ended
		December 31	December 31
		2015	2015
		(Rupees)	
Distributable income - earnings per unit		0.49	0.24
Undistributable unrealised fair value gains - earnings per unit	16.1.1	<u>0.76</u>	<u>0.76</u>
		<u>1.25</u>	<u>1.00</u>

16.1.1 Under the provision 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.

17 FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Scheme is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

18 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 18 February 2016.

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



Chief Executive Officer



Director



ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

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