



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

# DOLMEN CITY REIT

BUILDING  
ON SUCCESS  
Half Yearly Report December 31, 2016



# About REITs

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

## REITs in Pakistan

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was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015.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

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

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

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



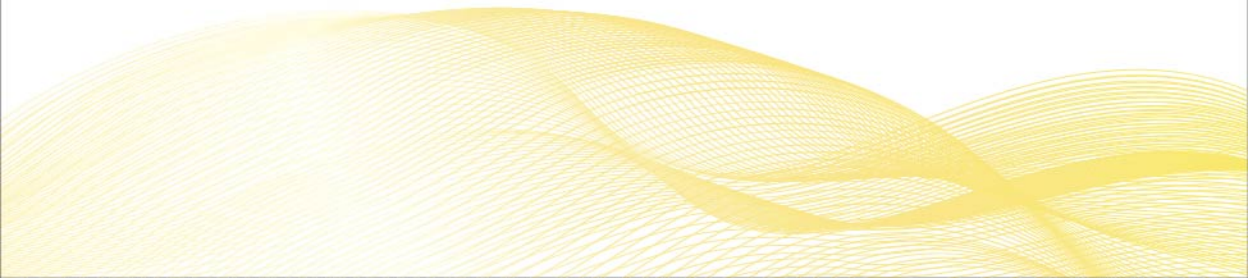
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# Scheme's Information

## Management Company

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

## Board of Directors

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

Chairman  
Director  
Independent Director  
Independent Director  
Director  
Director  
Chief Executive Officer

## Audit Committee

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

Chairman  
Member  
Member

## Human Resource & Remuneration Committee

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

Chairman  
Member  
Member

## 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  
United Bank Limited  
Allied Bank Limited  
Bank Alfalah Limited

## External Auditors

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

## Internal Auditors

**Junaldy Shoalb Asad & Co.**  
Chartered Accountants  
1/6-P, P.E.C.H.S., Mohtrama Laeeq Begum Road,  
Off Shahrah-e-Faisal, Karachi

## Legal Advisor

**Mohsin Tayebaly & Co.**  
Corporate Legal Consultants  
1st Floor, Dime Centre, BC-4 Block 9,  
Kehkashan, Clifton, Karachi.

## Property Manager

**Dolmen Real Estate Management (Private) Limited**

## Property Valuer

**National Engineering Services Pakistan (Pvt.) Ltd**  
"NESPAK"

## Shariah Advisor

**Mufti Muhammad Ibrahim Essa**

## Rating Agency

**JCR-VIS** Credit Rating Co. Ltd.  
VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad,  
Phase VII, DHA, Karachi

## Rating

RMC Rating: AM2 (RMC)  
REIT Rating: RRI

## Registered Office

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



# Management Company's Statements

## **Vision**

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

## **Mission**

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

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

## **Values**

Responsibility  
Energy  
Integrity  
Teamwork






# Directors' Review Report

Dear Unitholders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, I am pleased to present the Directors' Review Report, Condensed Interim Financial Information, Auditors' Review Report and other statutory reports thereon for six months period ended December 31, 2016 of Dolmen City REIT (DCR).





## Financial performance during the period under review

During the period under review, DCR recorded a rental income of PKR 1,372.749 million (PKR 688.721 million for the second quarter) showing an increase of 14.34% over the corresponding period last year. Marketing income was recorded at PKR 74.043 million (PKR 33.174 million for the second quarter) against PKR 57.712 million in the corresponding period. Administrative and operating expenses during the period were 14.22% of rental income at PKR 195.272 million. Net Operating Income for the period was recorded at PKR 1,251.520 million (PKR 609.875 million for the second quarter) compared with PKR 1,098.184 million during the corresponding period last year. Profit for the period before change in fair value of investment property was recorded at PKR 1,258.248 million, growing by 15.90%, from PKR 1,085.656 million in the

comparative period. Change in fair value of investment property during the period is recorded at PKR 1,026.726 million as compared to PKR 1,691.164 million in the corresponding period (Refer note 6 of the condensed interim financial information). DCR is pass through entity for tax purposes and not liable to income tax provided it meets certain conditions. This translates to Profit after tax of PKR 2,284.974 million against the corresponding period's PKR 2,776.820 million. Earnings per Unit (EPU) for the period amounts to PKR 1.03 (December 31, 2015: PKR 1.25). The EPU comprises of distributable income of PKR 0.57 (December 31, 2015: PKR 0.49) and PKR 0.46 (December 31, 2015: PKR 0.76) being un-distributable unrealised fair value gains.

## Operational performance during the period under review

Occupancy level of the properties rose in the second quarter of the reporting period to an aggregate of 99.68% compared with 98.38% in the first quarter. An insignificant change of 92 square feet was recorded in the leasable area of Dolmen City Mall, resulting from conversion of an outlet into storage spaces. Current vacancy at Dolmen City Mall is 2,619 square feet which pertains to the tenancy of storage spaces. During the quarter under review, Taste Buds' brand Sugar Rush has become part of the tenancy pool, whereas Sapphire and Outfitters have rented additional shop spaces for their respective brands in the Mall. At the same time, SIEMENS has become part of The Harbour Front's tenancy pool and now occupies the remaining 7,200 square feet in the office building. There were no outgoing tenants during the second quarter. The current status of occupancy is as follows:

	Leasable Area	Leased Area December, 2016	Vacant Area	Occupancy %
	(In square feet)			
Dolmen Mall Clifton	554,426	551,807	2,619	99.53%
The Harbour Front	257,161	257,161	-	100.00%
Total	811,587	808,968	2,619	99.68%

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

	Leased Area December, 2016	Leased Area September, 2016	Occupancy Variations	Occupancy Variation %
	(In square feet)			
Dolmen Mall Clifton	551,807	548,559	3,248	0.59%
The Harbour Front	257,161	249,961	7,200	2.88%
Total	808,968	798,520	10,448	1.31%

During the second quarter, various marketing and recreational activities took place at the Dolmen City Mall. The launch ceremony of Dolmen Loyalty Card during November 2016, fascinated not only consumer attention also attracted the attention of print and electronic media with a resultant footfall of 89,592 visitors. However, the signature event in the Mall, like every year, was Dolmen Shopping Festival which ran from 16-Dec'16 to 01-Jan'17.



#### **Dolmen Shopping Festival 2016:**

The Mall's annual signature and most awaited event took place from 16-Dec'16 to 01-Jan'17. This is the biggest event of the year at the Mall, bringing 17 days of festivities in Karachi. This DSF brought together leading international and local brand discounts, surprise giveaways, fun-filled contests, exciting promotions and delicious food.

The enticing lucky draw had more than 5 daily winners, 12 grand lucky winners and as well as a main grand prize of 1 Million Rupees powered by Summit Bank. The footfall recorded during the festival was 536,919 visitors an increase of 8% compared to last year's DSF.

#### **Acknowledgement**

We are grateful to DCR'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  
24<sup>th</sup> February 2017



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcoak.com](mailto:info@cdcoak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS  
DOLMEN CITY REIT**

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

We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Scheme) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has in all material respects complied with the requirements of the Real Estate Investment Trust Regulations, 2015 during the period ended December 31, 2016.

For the purpose of information, we would like to draw the attention of unit holders towards the fact that Auditors of the Scheme while referring to note 6.1 to the annexed financial statements have included an emphasis of matter paragraph in their Review Report.

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

Karachi: February 24, 2017



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

Telephone + 92 (21) 3568 5847  
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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 2016 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.

We draw attention to note 6.1 to the annexed condensed interim financial information which fully describes the basis used to state the investment property at Income Capitalization Approach based on existing rental agreements and expected rent for the vacant area and the requirement of the clause 7 (c) of Schedule VI to the REIT Regulations, 2015. Our conclusion is not qualified in respect of this matter.

The figures of the condensed interim financial information for the three months period ended 31 December 2016 and 31 December 2015, have not been reviewed and we do not express a conclusion on them.

Date: 24 February 2017

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem



Condensed Interim Financial Information for the  
six months period ended 31 December 2016

# Condensed Interim Balance Sheet

As at 31 December 2016

	Note	(Unaudited) 31 December 2016	(Audited) 30 June 2016
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non - current assets</b>			
<b>Total non - current assets</b> - Investment property	6	38,685,714	37,658,988
<b>Current assets</b>			
Rent receivables		112,908	85,355
Advances, prepayments and other receivables	7	272,924	256,395
Profit receivable		4,743	58,317
Investments		-	700,000
Bank balances	8	1,786,389	2,126,862
<b>Total current assets</b>		2,176,964	3,226,929
<b>Total assets</b>		40,862,678	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)		22,237,000	22,237,000
Reserves:			
Premium on issue of units		281,346	281,346
Unappropriated profit		17,715,006	17,742,680
<b>Total unit holders' fund</b>		40,233,352	40,261,026
<b>Liabilities</b>			
<b>Non - current liabilities</b>			
Formation costs payable to REIT management company		105,255	160,171
Security deposits		95,055	137,559
<b>Total non - current liabilities</b>		200,310	297,730
<b>Current liabilities</b>			
Payable to REIT management company	9	77,328	77,725
Security deposits		95,221	46,709
Accrued expenses and other liabilities	10	256,467	202,727
<b>Total current liabilities</b>		429,016	327,161
<b>Total unit holders' fund and liabilities</b>		40,862,678	40,885,917
(Rupees)			
<b>Net assets value per unit</b>		18.09	18.11
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

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



Chief Executive Officer



Director

# Condensed Interim Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 December 2016

Note	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
(Rupees in '000)				
<b>Income</b>				
Rental income	1,372,749	1,200,628	688,721	607,225
Marketing income	74,043	57,712	33,174	13,776
	<b>1,446,792</b>	<b>1,258,340</b>	<b>721,895</b>	<b>621,001</b>
Administrative and operating expenses	12 (195,272)	(160,156)	(112,020)	(97,644)
<b>Net operating income</b>	<b>1,251,520</b>	<b>1,098,184</b>	<b>609,875</b>	<b>523,357</b>
Other income - profit on bank deposits	52,757	37,299	22,008	24,485
	<b>1,304,277</b>	<b>1,135,483</b>	<b>631,883</b>	<b>547,842</b>
Management fee	9 (37,546)	(32,946)	(18,297)	(15,313)
Sindh Sales Tax on management fee	9 (4,881)	(5,350)	(2,379)	(2,882)
Federal Excise Duty on management fee	10.3 -	(5,271)	-	(2,450)
Trustee remuneration	10.1 (6,258)	(5,491)	(3,050)	(2,553)
Sindh Sales Tax on trustee remuneration	10.1 (813)	(769)	(396)	(769)
Reversal of provision for Workers' Welfare Fund	10.2 3,469	-	3,469	11,236
	<b>(46,029)</b>	<b>(49,827)</b>	<b>(20,653)</b>	<b>(12,731)</b>
<b>Profit before change in fair value of investment property</b>	<b>1,258,248</b>	<b>1,085,656</b>	<b>611,230</b>	<b>535,111</b>
Change in fair value of investment property	6 1,026,726	1,691,164	1,026,726	1,691,164
<b>Profit before taxation</b>	<b>2,284,974</b>	<b>2,776,820</b>	<b>1,637,956</b>	<b>2,226,275</b>
Taxation	13 -	-	-	-
<b>Profit after taxation for the period</b>	<b>2,284,974</b>	<b>2,776,820</b>	<b>1,637,956</b>	<b>2,226,275</b>
(Rupees)				
Earnings per unit - Distributable income	0.57	0.49	0.27	0.24
Earnings per unit - Undistributable unrealised fair value gains	0.46	0.76	0.46	0.76
<b>Earnings per unit - Basic and diluted</b>	<b>1.03</b>	<b>1.25</b>	<b>0.74</b>	<b>1.00</b>

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



Chief Executive Officer



Director

## Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 December 2016

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Rupees in '000)			
Profit for the period	2,284,974	2,776,820	1,637,956	2,226,275
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,284,974	2,776,820	1,637,956	2,226,275

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



Chief Executive Officer



Director

# Condensed Interim Cash Flow Statement (Unaudited)


For the six months period ended 31 December 2016

	Six months period ended	
	31 December 2016	31 December 2015
(Rupees in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	2,284,974	2,776,820
Adjustments for:		
Change in fair value of investment property	(1,026,726)	(1,691,164)
Profit on deposits	(52,757)	(37,299)
	1,205,491	1,048,357
<b>Working capital changes</b>		
<i>Increase in current assets</i>		
- Rent receivables	(27,553)	(43,464)
- Advances, prepayments and other receivables	(15,121)	(22,772)
<i>Increase / (decrease) in current liabilities</i>		
- Payable to the REIT management company	(397)	10,423
- Accrued expenses and other liabilities	53,740	118,256
Cash generated from operations	1,216,160	1,110,800
Taxes paid	(1,408)	(191,999)
Formation costs paid - (net)	(54,916)	(52,037)
Security deposits received - net	6,008	28,056
<b>Net cash generated from operations</b>	1,165,844	894,820
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Profit on bank deposits received	106,331	13,459
Investments in term deposit receipts	700,000	(700,000)
Net cash generated from / (used in) investing activities	806,331	(686,541)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash (used in) financing activities - Dividend paid</b>	(2,312,648)	(169,935)
Net (decrease) / increase in cash and cash equivalents during the period	(340,473)	38,344
Cash and cash equivalents at beginning of the period	2,126,862	912,718
Cash and cash equivalents at end of the period	1,786,389	951,062

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



Chief Executive Officer



Director

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

For the six months period ended 31 December 2016

	Units	Reserves		Sub total	Unit holders' fund
		Premium on issue of units	Unappropriated profit		
(Rupees in '000)					
Balance as at 30 June 2015	22,237,000	281,346	169,977	451,323	22,688,323
<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 period</b>					
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
<b>Balance as at 31 December 2015</b>	<b>22,237,000</b>	<b>281,346</b>	<b>2,776,862</b>	<b>3,058,208</b>	<b>25,295,208</b>
<b>Balance as at 30 June 2016</b>	<b>22,237,000</b>	<b>281,346</b>	<b>17,742,680</b>	<b>18,024,026</b>	<b>40,261,026</b>
<b>Transactions with owners</b>					
Cash dividend for the period ended 30 June 2016 (Rs. 1.04 per unit)	-	-	(2,312,648)	(2,312,648)	(2,312,648)
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	2,284,974	2,284,974	2,284,974
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,284,974	2,284,974	2,284,974
<b>Balance as at 31 December 2016</b>	<b>22,237,000</b>	<b>281,346</b>	<b>17,715,006</b>	<b>17,996,352</b>	<b>40,233,352</b>

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



Chief Executive Officer



Director

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

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## 1 STATUS AND NATURE OF BUSINESS

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

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

- 1.2 The Scheme is the subsidiary of International Complex Projects Limited (the ICPL). As at 31 December 2016, ICPL directly holds 70 percent units of the Scheme.

## 2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Scheme for the six months period ended 31 December 2016 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, REIT Regulations, 2015 and directives issued by the SECP. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, REIT Regulations, 2015 or the directives issued by the SECP shall prevail.

This condensed interim financial information of the Scheme does not include all of the information required for annual financial statements and should be read in conjunction with the financial statements of the Scheme as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Scheme's financial position and performance since the last financial statements.

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2016.

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing the condensed interim financial information, the significant judgments made by RMC in applying the Scheme's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding financial statements of the Scheme as at and for the year ended 30 June 2016.

## 5 RISK MANAGEMENT

The Scheme's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements as of and for the year ended 30 June 2016.

## 6 INVESTMENT PROPERTY

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

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

The investment property has been valued by National Engineering Services Pakistan (Private) Limited ('NESPAC' or 'the Valuer') as at 30 June 2016 and 31 December 2016. The Valuer used all prescribed approaches to value the investment property as per the clause 7 (a) of Schedule VI to the REIT Regulations, 2015. The valuation of NESPAC summarised below:

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

## Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

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

The clause 7 (c) of Schedule VI to the REIT Regulations, 2015, states that the Valuer shall provide an explanation of the relative strengths and weakness of various approaches and explicitly state the approach that is most appropriate for the REIT Scheme. NESPAK in its valuation report has stated that out of three approaches identified in REIT Regulations, 2015 "Income Capitalization Approach" is generally based on the principle that the value of property reflects the quality and quantity of the income it is expected to generate over time. It is the most typical approach used for income producing properties i.e. rental properties. However, as stated above, NESPAK has determined two values under Income Capitalization Approach and has not explicitly stated the value that is more appropriate to the Scheme.

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

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

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

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

### Significant unobservable inputs

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

## Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

	Note	Unaudited 31 December 2016 (Rupees in '000)	Audited 30 June 2016
<b>7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Unsecured - Considered good</b>			
Receivable from ICPL		-	2,908
Security deposit		481	469
Prepayments		18,421	404
Advance tax		254,022	252,614
		<b>272,924</b>	<b>256,395</b>

### 8 BANK BALANCES

Term deposit receipts	8.1	1,500,000	1,842,859
Saving accounts	8.2	284,153	281,767
Current account		2,236	2,236
		<b>1,786,389</b>	<b>2,126,862</b>

8.1 These represents term deposit receipts with Islamic bank and these carry expected profit rate of 6.5% (30 June 2016: 5.63 % to 6.35%) per annum with maturity of one month.

8.2 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.49% to 5.25% (30 June 2016: 2.0% to 6.35%) per annum.

	Note	Unaudited 31 December 2016 (Rupees in '000)	Audited 30 June 2016
<b>9 PAYABLE TO REIT MANAGEMENT COMPANY</b>			
Management fee payable		18,296	18,484
Sindh Sales Tax		4,116	4,325
	9.1	22,412	22,809
Current portion of formation costs		54,916	54,916
		<b>77,328</b>	<b>77,725</b>

9.1 Under the provisions of REIT Regulations, 2015, RMC is entitled to an annual management fee not exceeding three percent of NOI of the Scheme. The management fee is payable on quarterly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) on the remuneration of RMC through Sindh Sales Tax on Service Act 2011, effective from 1 July 2014.

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

	Note	Unaudited 31 December 2016 (Rupees in '000)	Audited 30 June 2016
<b>10 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Trustee remuneration	10.1	7,071	13,219
Provision for government levies		3,074	5,558
Monitoring fee payable to SECP		11,119	22,237
Payable to associated undertakings		24,244	20,024
Unearned rental income		123,687	74,201
Sales tax and withholding income tax		49,419	33,158
Provision for Workers' Welfare Fund	10.2	-	3,469
Charity payable		2,236	2,236
Federal Excise Duty	10.3	11,980	11,980
Takaful (insurance) fee		-	2,917
Accrued expenses and other liabilities		18,415	12,830
Unclaimed dividend		5,222	898
		<b>256,467</b>	<b>202,727</b>

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

**10.2** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court (LHC), Sindh High Court (SHC) and Peshawar High Court (PHC). The Honourable Supreme Court (SCP) of Pakistan 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 condensed interim financial information for the period ended 31 December 2016.

**10.3** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the RMC has been applied. The RMC is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

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

The Sindh Revenue Board and the Federal Board of Revenue have filed appeals before SCP against the SHC's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million upto 30 June 2016 has been maintained.

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

With effect from 01 July 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by Finance Act, 2016. Therefore no provision has been recognised in this condensed interim financial information.

## 11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2016.

## 12 ADMINISTRATIVE AND OPERATING EXPENSES

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Rupees in '000)			
Monitoring fee	11,119	11,119	5,560	5,560
Property management fee	95,943	92,231	51,541	55,567
Ancillary income collection fee	12,108	9,409	5,901	4,630
Common area maintainance charges	6,614	3,995	4,969	1,144
Legal and professional charges	4,174	1,718	2,570	488
Utility expenses	540	270	370	140
Marketing expenses	28,233	14,355	19,652	14,355
Takaful fee	14,697	17,128	10,376	8,630
Property tax	3,208	6,986	2,471	5,698
Auditors' remuneration	1,533	721	926	596
Renovation expense	13,505	-	6,993	-
Annual Health Check survey	1,163	-	1,163	-
Others	2,435	2,224	528	836
	<b>195,272</b>	<b>160,156</b>	<b>113,020</b>	<b>97,644</b>

## 13 TAXATION

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

The Board of Directors of the RMC intends to distribute sufficient accounting income for the year ending 30 June 2017 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash to avail the exemption. Accordingly, no tax provision has been made in the condensed interim financial information for the period ended 31 December 2016.

## 14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include Arif Habib Dolmen REIT Management Limited being the Management Company, Central Depository Company of Pakistan Limited, being the Trustee to the Scheme, National Engineering Services Pakistan (Private) 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 maintainance 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.

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

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:

	<b>Six months period ended</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>(Rupees in '000)</b>	
<b>14.1 Transactions during the period:</b>		
<b>International Complex Projects Limited</b>		
- Rental income	18,769	17,916
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	6,614	3,995
<b>Retail Avenue (Private) Limited</b>		
- Rental income	3,615	3,450
<b>Sindbad Wonderland (Private) Limited</b>		
- Rental income	12,319	11,752
	<b>Unaudited 31 December 2016</b>	<b>Audited 30 June 2016</b>
	<b>(Rupees in '000)</b>	
<b>14.2 Amounts outstanding as at period end</b>		
<b>International Complex Projects Limited</b>		
- Receivable in respect of security deposits of tenants	-	2,908
- Rent receivable	171	341
- Net payable in respect of purchase consideration of investment property	1,819	1,819
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	4,478	331
<b>Retail Avenue (Private) Limited</b>		
- Rent receivable	668	613
<b>Sindbad Wonderland (Private) Limited</b>		
- Rent receivable	466	466

# Notes to the Condensed Interim Financial information (Unaudited)

For the six months period ended 31 December 2016

## 15 EARNINGS PER UNIT - BASIC AND DILUTED

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Profit after taxation	2,284,974	2,776,820	1,637,956	2,226,275
	(Rupees in '000)			
	(Number of Units)			
Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000	2,223,700,000	2,223,700,000
	(Rupees)			
Earnings per unit - Basic and diluted	15.1	1.03	1.25	0.74
				1.00

### 15.1 Earnings per unit comprises as follows:

Distributable income - earnings per unit	0.57	0.49	0.27	0.24
Undistributable unrealised fair value gains - earnings per unit	15.1.1	0.46	0.76	0.46
		1.03	1.25	0.74
				1.00

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

## 16 FAIR VALUES

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

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

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

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

## 17 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 24 February 2017.



Chief Executive Officer



Director



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REIT MANAGEMENT LIMITED

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