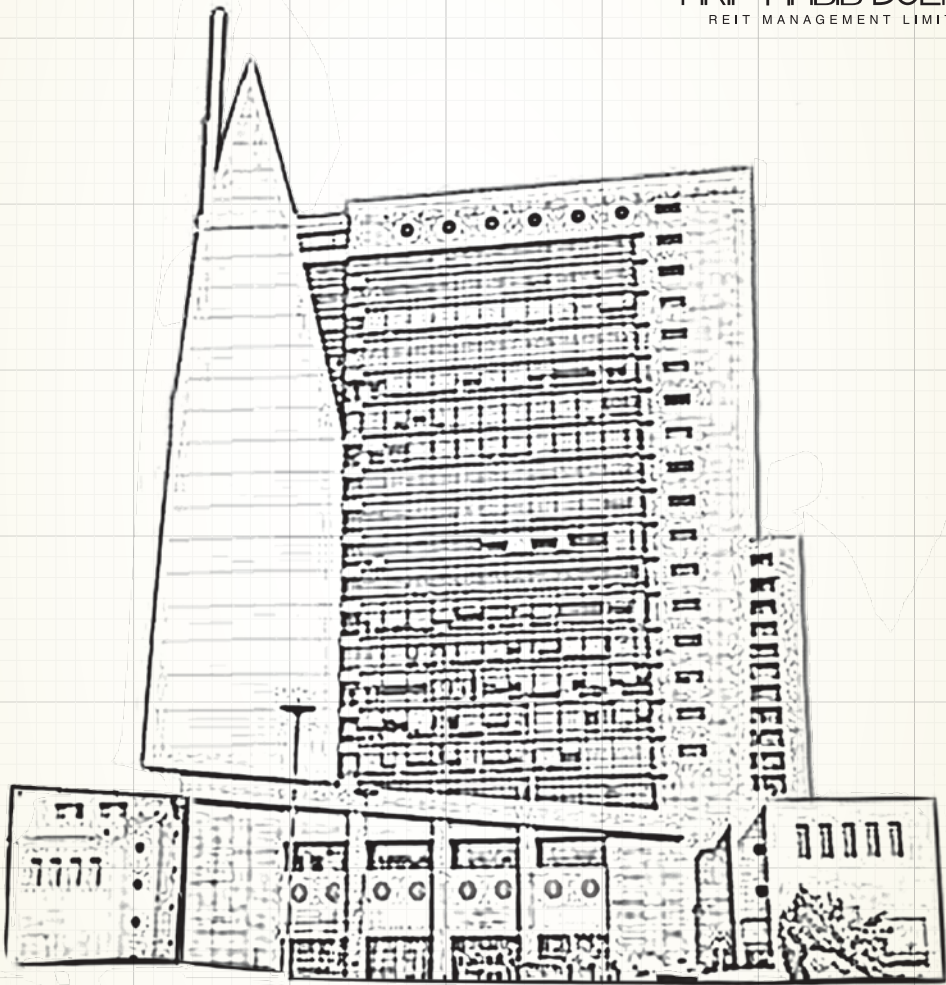


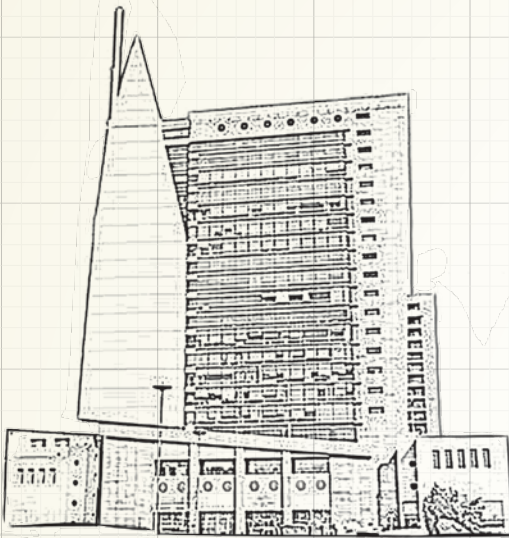
ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED



Dolmen City REIT

Symbol of strength

Half Yearly Report December 31, 2017



About REITs

A Real Estate Investment Trust (REIT) is an entity that owns or finances income-producing real estate. REITs are like mutual funds. REITs provide all types of investors with regular income streams, diversification and long-term capital appreciation. REITs allow individuals to invest in real-estate properties similar to purchasing a stock of a company and owning units. 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was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015.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. A "REIT Scheme" in Pakistan 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: A REIT Scheme having both a portfolio of buildings for rent and a property for development.

Table of Contents

<i>02</i>	Scheme's Information
<i>04</i>	Management Company's Statements
<i>06</i>	Directors' Review Report
<i>09</i>	Trustee Report
<i>10</i>	Auditors' Review Report to the Unitholders
<i>11</i>	Condensed Interim Financial Information for the six months period and quarter ended 31st December 2017
<i>12</i>	Condensed Interim Balance Sheet
<i>13</i>	Condensed Interim Profit and Loss Account (Unaudited)
<i>14</i>	Condensed Interim Statement of Comprehensive Income (Unaudited)
<i>15</i>	Condensed Interim Cash Flow Statement (Unaudited)
<i>16</i>	Condensed Interim Statement of Changes in Unit Holders' Fund (Unaudited)
<i>17</i>	Notes to the Condensed Interim Financial information (Unaudited)

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	Chairman
Mr. Nadeem Riaz	Director
Mr. Asadullah Khawaja	Independent Director
Mr. Qamar Hussain	Independent Director
Mr. Abdus Samad A. Habib	Director
Mr. Faisal Nadeem	Director
Mr. Muhammad Ejaz	Chief Executive

Audit Committee

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

CFO & Company Secretary

Mr. Muneer Gader

Trustee | Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S,
Main Shakra-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	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, K.C.H.S.U, Shahrah-e-Faisal, 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 Advisor	Mohsin Tayebaly & Co. Corporate Legal Consultants 1st Floor, Dime Centre, BC-4 Block 9, Kehkashan, Clifton, Karachi.
Property Manager	Dolmen Real Estate Management (Private) Limited
Property Valuer	MYK Associates (Private) Limited
Shariah Advisor	Mufti Muhammad Ibrahim Easa
Rating Agency	JCR-VIS Credit Rating Company Limited VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad, Phase VII, DHA, Karachi.
Ratings	RMC Rating: AM2 (RMC) REIT Rating: RR1
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 (RMC), We are pleased to present the Directors' Review Report of Dolmen City REIT (DCR), for the period ended on December 31, 2017.



Financial and Operational Performance

During the period DCR recorded a rental income of PKR 1,498.23 million (PKR 747.24 million for the second quarter) showing an increase of 9.14 % over the corresponding period last year. Marketing income was recorded at PKR 85.96 million (PKR 49.09 million for the second quarter) against PKR 74.04 million during the previous corresponding period. Administrative and operating expenses during the period were 15.80 % of rental income at PKR 236.66 million. Net Operating Income for the period was recorded at PKR 1,347.53 million (PKR 675.33 million for the second quarter) compared with PKR 1,251.52 million during the corresponding period last year. Profit for the period was recorded at PKR 2,490.76 million, growing by 9.01 %, from PKR 2,284.97 million in the comparative period; DCR is pass through entity for tax purposes and not liable to income tax provided it meets certain conditions. The profit translates into earnings of PKR 1.12 per unit (PKR 0.81 per unit for the second quarter) against PKR 1.03 per unit during the corresponding period last year.

The occupancy level of DCR's property is stable on an overall basis and stand at 97.50% by the end of December 2017 (compared with 97.68% at the end of September 2017). The Harbour Front is completely occupied with satisfied tenants and the tenancy pool of Dolmen Mall Clifton has majorly remained the same. During the quarter, some brands and companies such as Crabtree & Evelyn, Toni & Guys, INC., Engro Polymers, Super Squad and Domino's Pizza have exited the tenancy pool while Super Feet, Miniso, Sindh Engro Coal, Samsonite Classic and Hardees amongst others have entered it. Tenants' satisfaction with the operations and property management at the premises is reflected in their long term agreements and eagerness to occupy further space on availability. As on December 31, 2017, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around 3.12 years and of the Harbour Front (32% of the total area) is around 3.46 years (DCR's current average lease expiry is 3.23 years).

Occupancy level at Dolmen Mall Clifton and Harbour Front at period end is as follows:

	Leasable Area	Leased Area December 2017	Vacant Area	Occupancy %
	(in square feet)			
Dolmen Mall Clifton	549,787	529,642	20,145	96.34%
The Harbour Front	257,161	257,161	-	100%
Total	806,948	786,803	20,145	97.50%

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

	Leased Area December 2017	Leased Area September 2017	Occupancy Variations	Occupancy Variations %
	(in square feet)			
Dolmen Mall Clifton	529,642	531,097	(1,455)	(0.27)%
The Harbour Front	257,161	257,161	-	
Total	786,803	788,258	(1,455)	(0.27)%



During the second quarter of FY18 DCR celebrated occasions and extravaganzas at the Dolmen Mall namely Dolmen Gets Fit, the Children's Day and Dolmen Shopping Festival. Like every year, significant marketing and branding activities were undertaken at the Mall which resulted in achieving healthy a footfall of around 2.51 Million during the quarter (average monthly footfall was 837,588 visitors).

The Property Manager played an instrumental role in maintaining the goodwill and brand image of Dolmen City and enticed Karachi'ites to visit, shop and be part of the Dolmen Mall experience. The quarterly Dolmen Magazine kept patrons abreast of shopping festivals, event calendar, brand advertisements and discount offerings. Total 30,000 copies were distributed of the DSF special December 2017 issue to our subscribers, in-mall distribution, tenants and other patrons.

Dolmen Gets Fit: Dolmen Mall Clifton hosted one-of-a-kind week-long fitness and health festival by bringing together local and international fitness enthusiasts, health and nutrition experts and leadings ports, fitness and health related brands.

The recorded footfall during the event week was 142,739.

Dolmen Shopping Festival: This year Dolmen Mall celebrated 25 years of shopping amidst influx of a diversified local and international customer base. Number of engaging activities amongst renowned celebrities and participating brands and celebrated the silver jubilee of the festival unveiling the Grand prizes of the Dolmen Draw. During the event, mall was an exquisite sight to look at, paying tribute to the city of lights. A total footfall of 549,369 visited the mall during DSF 2017. An average daily footfall of approximately 32,000 Visitors which is a 2% increase from last year.

Stocks Performance

During the period DCR traded on the Pakistan Stock Exchange at an average unit price of PKR 11.11 and touched a high of PKR 11.30 and a low of PKR 10.78 per unit. During the same period KSE100 index moved in the range between 42,018.90 to 40,471.48. In a declining market, the stock of DCR remained fairly stable with beta of 0.28 (which means for a given 100% change in market KSE-100 Index; DCR would change only 28%, beta here represents low volatility and elasticity) and covariance with the market of only 0.29 (which is a measure of the degree to which returns on two risky assets move in tandem, indicate low positive correlation of DCR stock performance with the market performance).

The Net Asset Value 'NAV' per Unit of DCR is PKR 18.44 as on December 31, 2017 compared with PKR 17.93 at the end of first quarter on September 30, 2017 and PKR 18.09 of the corresponding period last year i.e. December 31, 2016). DCR on its closing Unit price of PKR 11 on December 29, 2017 traded at a discount of 40.34% to its NAV.

Dividend Distribution

The Board of Directors of the RMC in their meeting held on January 09, 2018, have approved an interim dividend of PKR 0.30 per unit i.e. 3.00% (providing annualized dividend yield of 12%) for the quarter ended December 31, 2017. The said dividend has been transferred electronically into the designated bank account of unit holders on February 16, 2018.

The aforementioned interim dividend was in addition to the interim dividend announced and paid earlier of PKR 0.30 per unit i.e. 3.00% for the quarter ended September 30, 2017.

Business Environment

The business environment surrounding Dolmen City remains stable. However, it is pivotal that the taxation regime encompassing REITs and real estate sector are made supportive of documentation and that these remain consistent in the longer term. The current taxation structure imposes additional layers of taxation, which is detrimental to the development of REITs. It is important that all provincial and local taxes are also made supportive of documentation through REITs, as has already been done in the province of Sindh. This will encourage proliferation of REITs throughout the country.

The introduction of new, quality malls in the country is creating a healthy competition bringing with it benefits of several international brands eyeing Pakistan as their next destination. With professional property management, long lease expiries, extensive marketing activities and renowned tenants, we remain confident that Dolmen City will remain the destination of choice for the visitors, retail operators and corporations alike. This was also confirmed by the DCR Rating reaffirmation for the second year in a row (RR1, highest investment quality) by JCR-VIS Credit Rating Agency in 2017.

Outlook

Dolmen City REIT is operating above its projected financial trajectory and has remained successful in maintaining occupancy levels and posting rental growth. Consistently healthy footfall and tenants' contentment with the mall is the testimony of operational success for DCR. Going forward, rental escalations would be the prime revenue driver as the mall is nearing maximum occupancy.

Vigilance at all levels by Trustee, RMC, Shariah Advisor and the SECP ensures compliance to the REIT Regulations and other applicable laws and standards is adhered. These factors continue to provide DCR's Unit Holders with a rewarding investing experience.

Acknowledgement

We are thankful to DCR's valued investors, the Securities and Exchange Commission of Pakistan, the management of Pakistan Stock Exchange, the Trustees of DCR, the Property Manager and business partners for their continued cooperation and support. We also appreciate the effort put in by the management team.

For and on behalf of the Board



Muhammad Ejaz
Chief Executive



Nasim Beg
Chairman

**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

Email: info@cdcpak.com



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

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

We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Fund) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has materially complied with the Business Plan during the period ended December 31, 2017.

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

Karachi: February 27, 2018



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Dolmen City REIT** ("the Scheme") as at December 31, 2017, 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 accounts (here-in-after referred to as the 'condensed interim financial information') for the six months period ended December 31, 2017. 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. The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

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 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 as at and for the six months period ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

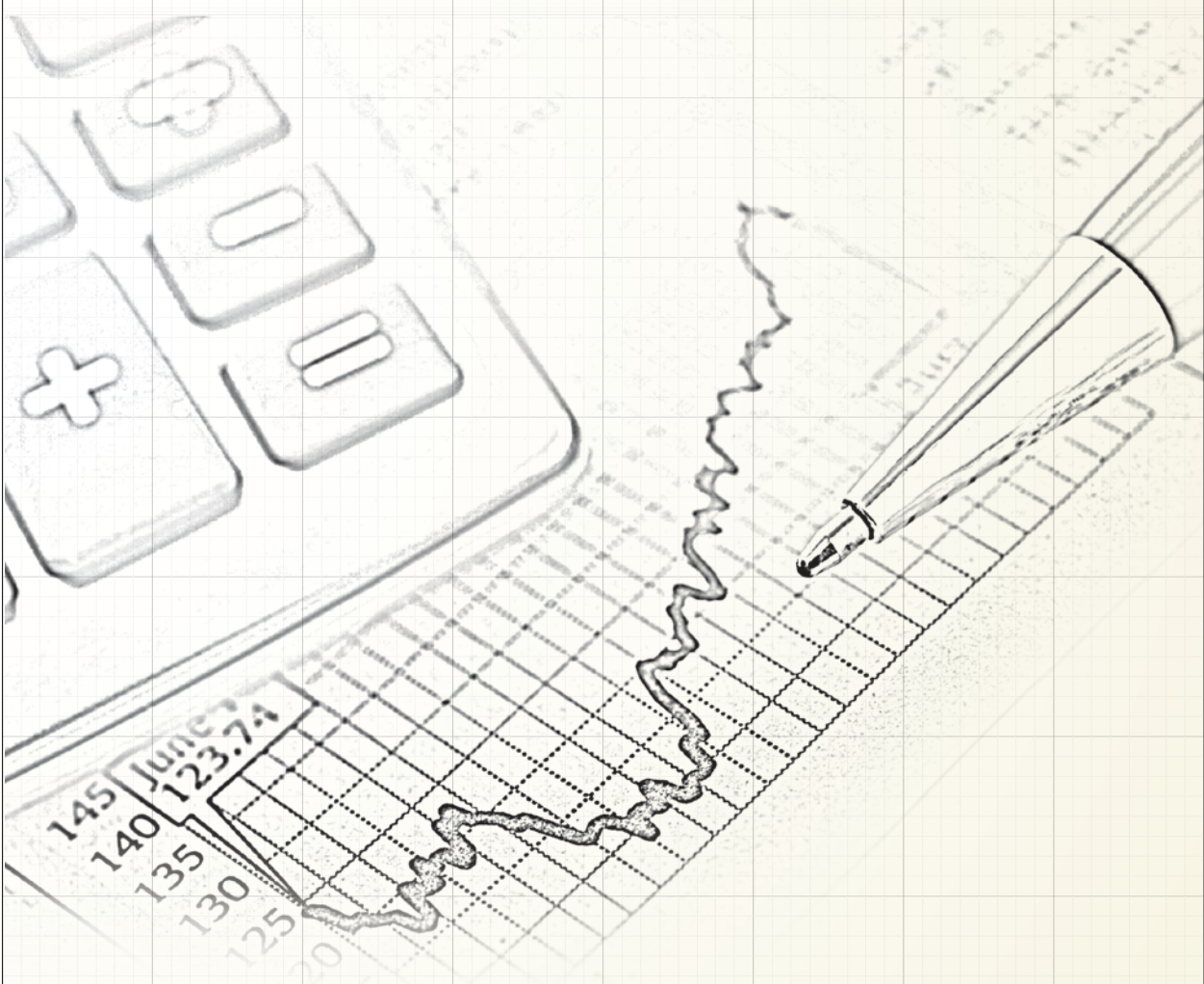
Other Matter

The condensed interim financial information of the Scheme for the six months ended December 31, 2016 and the annual financial statements for the year ended June 30, 2017 were reviewed and audited by another firm of Chartered Accountants, whose review report dated February 24, 2017 and audit report dated August 01, 2017 expressed an unmodified conclusion and opinion respectively. However, their review report included an emphasis of matter paragraph relating to valuation of investment property.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: February 26, 2018
Place: Karachi



Condensed Interim Financial
Information for the six months period
and quarter ended 31 December 2017

Condensed Interim Balance Sheet

As at 31 December 2017

	Note	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees in '000)			
ASSETS			
Non - current assets			
Total non - current assets - Investment property	6	39,967,318	38,839,964
Current assets			
Rent receivables	7	99,074	91,135
Advances, prepayments and other receivables	8	275,288	258,051
Profit accrued		6,749	25,171
Bank balances	9	1,380,580	3,185,531
Total current assets		1,761,691	3,559,888
Total assets		41,729,009	42,399,852
REPRESENTED BY:			
Unit holders' fund			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)		22,237,000	22,237,000
Reserves:			
Premium on issue of units		281,346	281,346
Unappropriated profit		18,483,546	19,217,152
Total unit holders' fund		41,001,892	41,735,498
Liabilities			
Non - current liabilities			
Formation costs payable to REIT management company		50,339	105,255
Security deposits		155,356	88,020
Total non - current liabilities		205,695	193,275
Current liabilities			
Payable to REIT management company	10	79,497	78,531
Security deposits		118,794	140,713
Accrued expenses and other liabilities	11	323,131	251,835
Total current liabilities		521,422	471,079
Total unit holders' fund and liabilities		41,729,009	42,399,852
(Rupees)			
Net assets value per unit		18.44	18.77

CONTINGENCIES AND COMMITMENTS

12

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31 December 2017

	Note	Six months period ended		Quarter ended	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
----- Rupees in '000 -----					
Income					
Rental income		1,498,233	1,372,749	747,242	688,721
Marketing income		85,958	74,043	49,094	33,174
		1,584,191	1,446,792	796,336	721,895
Administrative and operating expenses	13	(236,664)	(195,272)	(121,008)	(112,020)
Net operating income		1,347,527	1,251,520	675,328	609,875
Other income - profit on deposits		69,173	52,757	21,182	22,008
		1,416,700	1,304,277	696,510	631,883
Management fee	10.1	(40,426)	(37,546)	(20,260)	(18,297)
Sindh Sales Tax on management fee	10.1	(5,255)	(4,881)	(2,633)	(2,379)
Trustee remuneration	11.1	(6,738)	(6,258)	(3,377)	(3,050)
Sindh Sales Tax on trustee remuneration	11.1	(876)	(813)	(439)	(396)
Reversal of provision for Workers' Welfare Fund		-	3,469	-	3,469
		(53,295)	(46,029)	(26,709)	(20,653)
Profit before change in fair value of investment property		1,363,405	1,258,248	669,801	611,230
Change in fair value of investment property	6	1,127,354	1,026,726	1,127,354	1,026,726
Profit before taxation		2,490,759	2,284,974	1,797,155	1,637,956
Taxation	14	-	-	-	-
Profit after taxation for the period		2,490,759	2,284,974	1,797,155	1,637,956
(Rupees)					
Earnings per unit - Distributable income		0.61	0.57	0.30	0.27
Earnings per unit - Undistributable unrealised fair value gains		0.51	0.46	0.51	0.46
Earnings per unit - Basic and diluted	16	1.12	1.03	0.81	0.74

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- Rupees in '000 -----			
Profit after taxation for the period	2,490,759	2,284,974	1,797,155	1,637,956
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,490,759	2,284,974	1,797,155	1,637,956

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2017

	Six months period ended	
	31 December 2017	31 December 2016
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,490,759	2,284,974
Adjustments for:		
Change in fair value of investment property	(1,127,354)	(1,026,726)
Profit on deposits	(69,173)	(52,757)
	1,294,232	1,205,491
Working capital changes		
Increase in current assets		
- Rent receivables	(7,939)	(27,553)
- Advances, prepayments and other receivables	(15,313)	(15,121)
Increase / (decrease) in current liabilities		
- Payable to the REIT management company	966	(397)
- Accrued expenses and other liabilities	71,296	53,740
Cash generated from operations	1,343,242	1,216,160
Taxes paid	(1,924)	(1,408)
Formation costs paid - net	(54,916)	(54,916)
Security deposits received- net	45,417	6,008
Net cash generated from operations	1,331,819	1,165,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit on deposits received	87,595	106,331
Redemption of term deposit receipts	-	700,000
Net cash generated from investing activities	87,595	806,331
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities - Dividend paid	(3,224,365)	(2,312,648)
Net decrease in cash and cash equivalents during the period	(1,804,951)	(340,473)
Cash and cash equivalents at beginning of the period	3,185,531	2,126,862
Cash and cash equivalents at end of the period	1,380,580	1,786,389

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

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

For the six months period ended 31 December 2017

	Units	Reserves		Sub total	Unit holders' fund
		Premium on issue of units	Unappropriated profit		
Rupees in '000					
Balance as at 30 June 2016	22,237,000	281,346	17,742,680	18,024,026	40,261,026
Transactions with owners					
Cash dividend for the year ended 30 June 2016 (Rs. 1.04 per unit)	-	-	(2,312,648)	(2,312,648)	(2,312,648)
Total comprehensive income for the period					
Profit for the period	-	-	2,284,974	2,284,974	2,284,974
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,284,974	2,284,974	2,284,974
Balance as at 31 December 2016	22,237,000	281,346	17,715,006	17,996,352	40,233,352
Balance as at 30 June 2017	22,237,000	281,346	19,217,152	19,498,498	41,735,498
Transactions with owners					
Cash dividend for the year ended 30 June 2017 (Re. 1.15 per unit)	-	-	(2,557,255)	(2,557,255)	(2,557,255)
Cash dividend for the period ended 30 September 2017 (Re. 0.30 per unit)	-	-	(667,110)	(667,110)	(667,110)
Total comprehensive income for the period					
Profit for the period	-	-	2,490,759	2,490,759	2,490,759
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,490,759	2,490,759	2,490,759
Balance as at 31 December 2017	22,237,000	281,346	18,483,546	18,764,892	41,001,892

The annexed notes from 1 to 19 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive Officer



Director

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 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 (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 2017, ICPL directly holds 75 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 2017 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed 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 repealed 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 2017. 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 237 of the Companies Act, 2017.

The Companies Act, 2017, was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Further, Institute of Chartered Accountants of Pakistan (ICAP) vide its circular 17 of 2017 has clarified that the preparation of financial statements includes preparation of interim financial information for periods ending on or before 31 December 2017.

The Companies Act, 2017 is applicable for financial year / interim period beginning on 01 January 2018, however, its application is not likely to have any financial impact on the Scheme's financial statements except certain extended disclosures.

2.2 Basis of measurement

This condensed interim financial information has been prepared on the basis of 'historical cost convention' except investment property which is stated at 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.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

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 2017.

Certain amendments to existing standards and interpretations became effective during the period which are either not relevant or not having significant impact on this condensed interim financial information.

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 2017.

5. RISK MANAGEMENT

The Scheme's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements as at and for the year ended 30 June 2017.

6. INVESTMENT PROPERTY

	Note	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees in '000)			
Carrying amount at beginning of the period		38,839,964	37,658,988
Add: Change in fair value - unrealised		1,127,354	1,180,976
Carrying amount at end of the period	6.1	39,967,318	38,839,964

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

The investment property has been valued by MYK Associates (Private) Limited ('MYK' or 'the Valuer') as at 31 December 2017 and 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.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

The valuations are summarised below:

	31 December 2017	30 June 2017
	(Rupees in million)	
Cost approach	20,889	20,965
Sales comparison approach	56,345	57,186
Income capitalization approach		
(a) Valuer's assessment of rental income – using 7% capitalization rate	41,112	41,583
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	39,967	38,839

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 this condensed interim financial information under Income capitalization approach based on existing rental agreements and expected rent for the vacant area.

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

Significant unobservable inputs

	Sensitivity	
	Change in input	Effect on fair value (Rupees in '000)
- Present revenue (based on existing leasing contracts)	+ 5%	2,967,093
- Present revenue (based on existing leasing contracts)	- 5%	(2,967,093)
- Present operating costs (based on projected costs)	+ 5%	(409,395)
- Present operating costs (based on projected costs)	- 5%	409,395
- Capitalization rate	+ 1%	(5,982,349)
- Capitalization rate	- 1%	5,345,974

Note	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees in '000)	

7. RENT RECEIVABLES

Unsecured

Considered good	99,074	91,135
Considered doubtful	25,669	25,669
	124,743	116,804
Less: Provision for doubtful balances	(25,669)	(25,669)
	99,074	91,135

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

	Note	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees in '000)			
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Unsecured - Considered good			
Security deposit		899	837
Prepayments		15,251	-
Advance tax		259,138	257,214
		275,288	258,051
Considered doubtful - unsecured		4,728	4,728
		280,016	262,779
Less: Provision for doubtful balances		(4,728)	(4,728)
		275,288	258,051
9. BANK BALANCES			
Term deposit receipts	9.1	955,000	2,502,342
Saving accounts	9.2	423,094	680,953
Current account		2,486	2,236
		1,380,580	3,185,531

9.1 This represents term deposit receipts with an Islamic bank and carries expected profit rate of 6.0% (30 June 2017: 5.95 %) per annum with maturity of three months.

9.2 These represent deposits held in riba free saving accounts carrying expected profit rates ranging from 2.05% to 5.50% (30 June 2017: 2.05% to 5.56%) per annum.

	Note	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees in '000)			
10. PAYABLE TO REIT MANAGEMENT COMPANY			
Management fee payable		20,260	19,360
Sindh Sales Tax		4,321	4,255
	10.1	24,581	23,615
Current portion of formation costs		54,916	54,916
		79,497	78,531

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 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.

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

	Note	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees in '000)			
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Trustee remuneration	11.1	7,614	14,588
Provision for government levies		4,962	4,000
Monitoring fee payable to SECP		11,119	22,237
Payable to associated undertakings		27,994	23,065
Unearned rental income		138,244	92,788
Sales tax and withholding income tax		45,806	48,719
Charity payable		2,486	2,486
Federal Excise Duty	11.2	11,980	11,980
Takaful fee		-	2,143
Accrued expenses and other liabilities		44,810	27,486
Unclaimed dividend		28,116	2,343
		323,131	251,835

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

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 Honorable Sindh High Court (SHC) through its 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 Supreme Court of Pakistan (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 condensed interim financial information.

12. CONTINGENCIES AND COMMITMENTS

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

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
----- Rupees in '000 -----				
13. ADMINISTRATIVE AND OPERATING EXPENSES				
SECP Monitoring fee	11,119	11,119	5,560	5,560
Property management fee	104,618	95,943	56,570	51,541
Ancillary income collection fee	13,502	12,108	7,241	5,901
Common area maintenance charges	8,101	6,614	4,031	4,969
Legal and professional charges	1,632	4,174	844	1,570
Utility expenses	185	540	135	370
Marketing expenses	34,277	28,233	21,984	19,652
Takaful fee	11,951	14,697	5,975	10,376
Property and advertisement taxes	9,545	3,208	4,807	2,471
Auditors' remuneration	1,236	1,533	636	926
Renovation expense	36,524	13,505	11,953	6,993
Health Check survey	-	1,163	-	1,163
Others	3,974	2,435	1,272	528
	236,664	195,272	121,008	112,020

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 more than ninety percent of the Scheme's accounting income for the year ending 30 June 2018 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 2017.

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, 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 this condensed interim financial information are as follows:

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

	Six months period ended	
	31 December 2017	31 December 2016
	(Rupees in '000)	
15.1 Transactions during the period		
International Complex Projects Limited		
- Rental income	20,646	18,769
- Purchase of equipment for maintenance	979	-
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	8,101	6,614
- Expenses incurred on behalf of Scheme	162	-
- Reimbursement of expenses incurred on behalf of Scheme	193	-
Retail Avenue (Private) Limited		
- Rental income	3,977	3,615
Sindbad Wonderland (Private) Limited		
- Rental income	13,551	12,319
Summit Bank Limited		
- Rental income	15,801	-
	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees in '000)	
15.2 Amounts outstanding as at period end		
International Complex Projects Limited		
- Rent receivable	171	171
- Net payable in respect of purchase consideration of investment property	1,819	1,819
- Payable against purchase of equipment for maintenance	979	-
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	8,101	540
- Expenses payable incurred on behalf of Scheme	162	-
Retail Avenue (Private) Limited		
- Rent receivable	830	66
Sindbad Wonderland (Private) Limited		
- Rent receivable	466	466
Summit Bank Limited		
- Rent receivable	1,004	1,004

Notes to the Condensed Interim Financial information (Unaudited)

For the six months period and quarter ended 31 December 2017

16. EARNINGS PER UNIT - BASIC AND DILUTED

Note	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
----- Rupees in '000 -----				
Profit after taxation for the period	2,490,759	2,284,974	1,797,155	1,637,956
----- (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	16.1 1.12	1.03	0.81	0.74
16.1 Earnings per unit comprises as follows:				
Distributable income - earnings per unit	0.61	0.57	0.30	0.27
Undistributable unrealised fair value gains - earnings per unit	16.1.1 0.51	0.46	0.51	0.46
	16.1.1 1.12	1.03	0.81	0.74

16.1.1 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.

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 reasonably approximation of fair value.

18. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the RMC in their meeting held on 09 January 2018 have declared and approved an interim cash dividend for the quarter ended December 31, 2017 of Re. 0.30 per unit amounting to Rs. 667.11 million. This condensed interim financial information do not include the effect of above which will be accounted for in the period in which it is approved.

19. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 26 February 2018.



Chief Financial Officer



Chief Executive Officer



Director



ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

Arif Habib Centre,
23, M.T. Khan Road, Karachi-74000
TEL: (92-21) 32468102
FAX No: (92-21) 32466824
E-MAIL: reit@arifhabibdolmenreit.com
Website: www.arifhabibdolmenreit.com