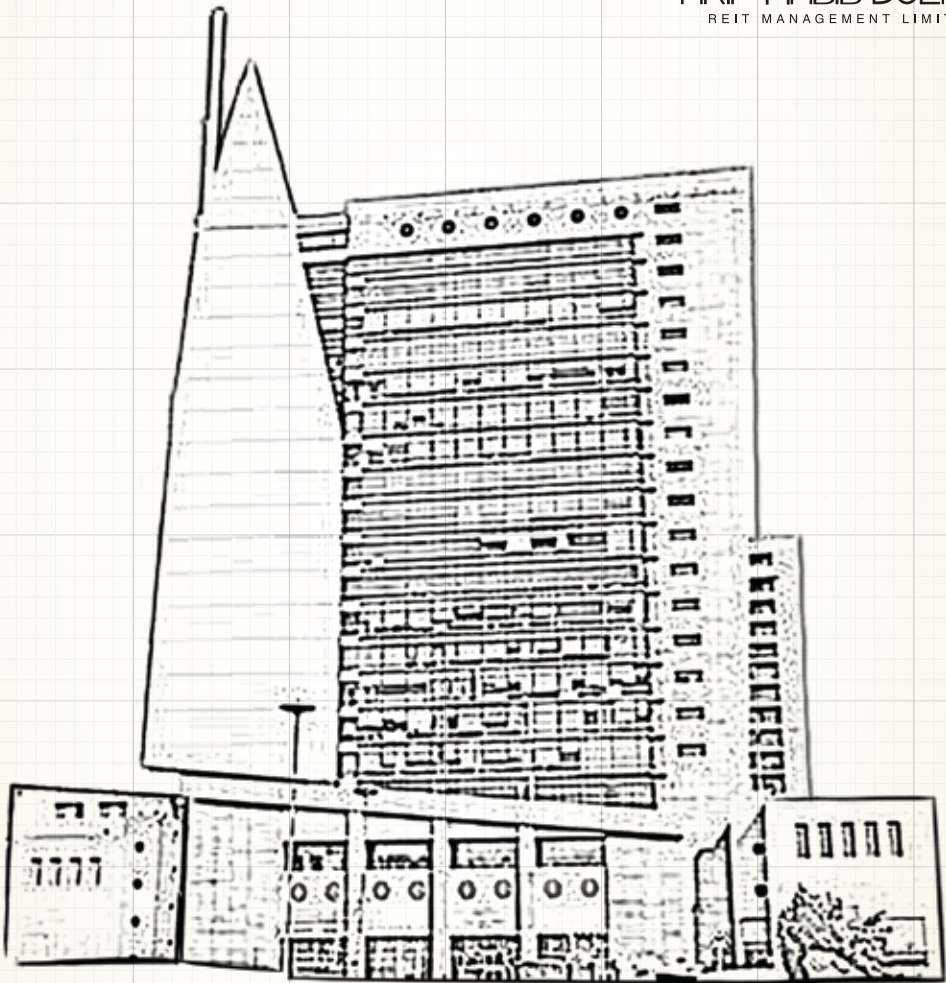


ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED



Dolmen City REIT

Symbol of strength

Quarterly Report for the period ended 30th September 2017

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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

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

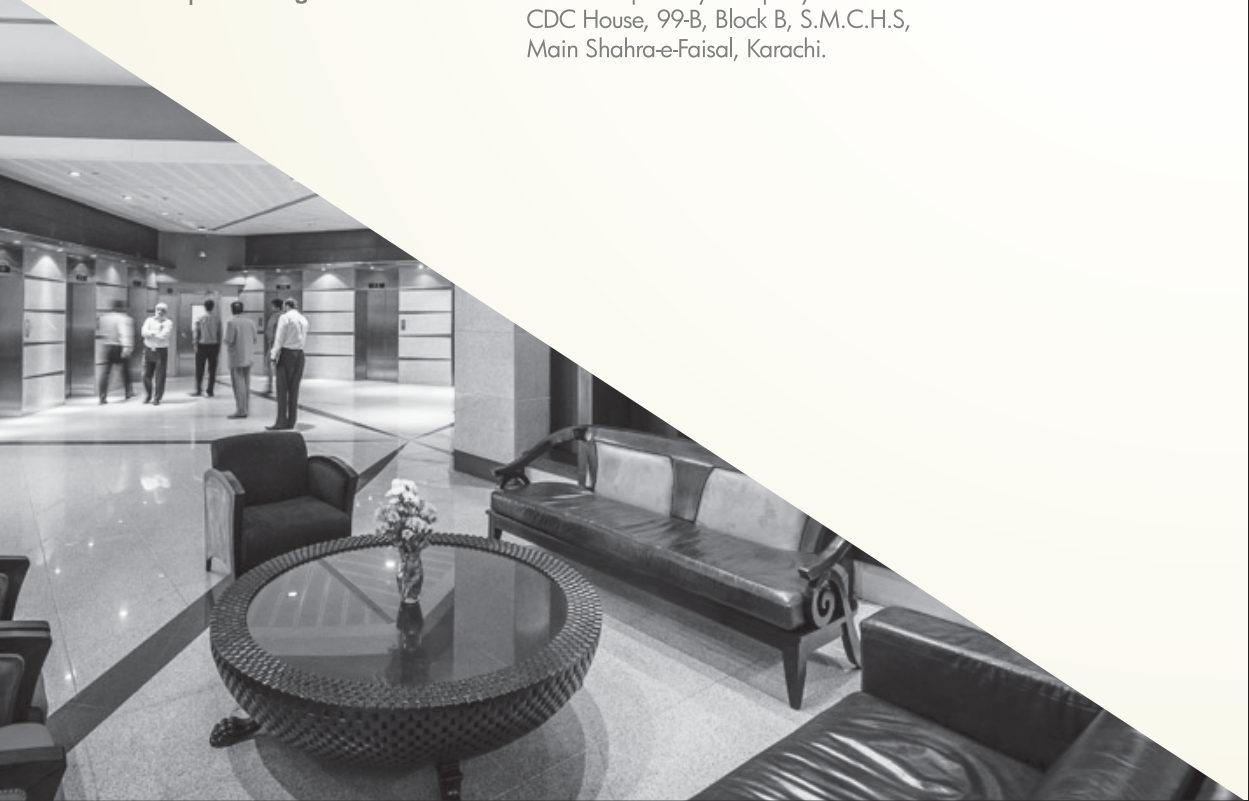
Chairman
Member
Member

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 Meezan Bank Limited United Bank Limited Allied Bank Limited Bank Alfalah Limited
External Auditors	Deloitte Yousuf Adil & Co. 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 Unit holders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, We are pleased to present the Directors' Review Report of Dolmen City REIT (DCR), for three months period ended 30th September 2017.



Financial and Operational Performance

During the three months period in review, DCR recorded rental income of **PKR 750.99** million, showing an increase of **9.79%** over **PKR 684.03** million from the corresponding period. Marketing income was recorded at **PKR 36.86** million (September 30, 2016: **PKR 40.87** million) and Profit on Shariah compliant bank deposit of **PKR 47.99** million (September 30, 2016: **PKR 30.75** million). Administrative and operating expenses during the reference period were **15.40%** of rental income at **PKR 115.66** million. Net Operating Income for the period was recorded at **PKR 672.20** million compared with **PKR 641.65** million during the corresponding period. Profit for the

period was recorded at **PKR 693.60** million, which grew by **7.20%**, from **PKR 647.02** million achieved in the comparative period. The profit translates into earnings of **PKR 0.31** per unit against **PKR 0.29** per unit during the corresponding period.

The occupancy level of DCR's property is stable on an overall basis and stand at **97.68%** by the end of September 30, 2017 (compared with **98.38%** at the end of September 30, 2016). The Harbour Front is completely occupied with satisfied tenants of highest quality and the tenancy pool of Dolmen Mall Clifton has majorly remained the same with the exception that brand "**Crabtree & Evelyn**" has exited the tenancy pool and A.K. Marketing has

introduced a new brand "**Women's Secret**" in place of "**Splash**". 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 September 30, 2017, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area of REIT Scheme) is around **3.13 years** and of the Harbour Front (32% of the total area of REIT Scheme) is around **3.99 years** (DCR's current average lease expiry is **3.40 years**).

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

	Leasable Area	Leased Area September, 2017	Vacant Area	Occupancy %
	(in square feet)			
Dolmen Mall Clifton	549,787	531,097	18,690	96.60%
The Harbour Front	257,161	257,161	-	100%
Total	806,948	788,258	18,690	97.68%

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

	Leased Area September, 2017	Leased Area June, 2017	Occupancy Variations	Occupancy Variations %
	(in square feet)			
Dolmen Mall Clifton	531,097	531,561	(464)	(0.087)%
The Harbour Front	257,161	257,161	-	
Total	788,258	788,722	(464)	(0.059)%

During the first quarter of FY18 DCR celebrated three major extravaganzas at the Dolmen Mall namely Back to School, the Independence Day and Eid ul Adha. Like every year, significant marketing and branding activities were undertaken at the Mall which resulted in achieving a healthy footfall of around 2.6 Million during the quarter (average monthly footfall was 868,754 visitors).

The Property Manager played an instrumental role in maintaining the goodwill and brand image of Dolmen City and enticed Karachiites 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 20,000 copies were distributed of the September 2017 issue to our subscribers, in-mall distribution, tenants and other patrons.

Back to School with Superheroes:

The event was held from 22nd to 23rd July, 2017, during which Dolmen Mall was thematically adorned to echo Back to School feelings. Dolmen Mall celebrated Back to School for the first time last year in July 16, and since then it has become one of the most awaited event amongst the school kids. This time dressing up as their favorite superheroes and princesses, children joined Dolmen Mall's Back to School

dress-up party and completed their last minute school shopping from our Back to School Bazar and brand partners.



Children also enjoyed an itinerary of back-to-school storytelling sessions by Oxford University Press, book stall by Liberty Books, mascot appearances by Sindbad's, book making, giveaway, and gaming zone.



The event was a success with recorded weekend footfall of 74,485.



Independence Day Celebrations:

This year the 70th anniversary of Pakistan was celebrated on a very grand stage with the exterior of mall lit up on August 1, 2017, the internal décor was in place since August 8, 2017.



The main event comprised of various elements including 3D projection mapping, Décor, Laser Show, **14th August** countdown, Games, Activations, Wall of Legends and Dolmen Draw.

People from all over Karachi look forward to the celebrations at Dolmen Mall and view it as the go-to spot for family outings on the evening of 13th August and the Independence Day.

The mall has focused on a Brand Persona of "Mall with a Heart". The theme for this year was "Dolmen Loves Pakistan" and the goal was to

integrate the theme into all marketing collateral, activities, communication and décor.

The recorded footfall during the event week was **169,608** which marked event as a success.

Eid ul Adha:

At Dolmen Mall has long been a festive occasion. Decorated in gold and silver, the mall celebrated Eid with an Eid special Dolmen Bazaar.



Customers joined in the festivities availing free make-overs and mehndi application while shopping for Eid.

Stock Performance

During the quarter under review, 'DCR' traded on the Pakistan Stock Exchange at an average unit price of **PKR 11.55** and touched a high of **PKR 12.32** and a low of **PKR 10.60** per unit (which also factors in the ex-dividend effect on unit price). During the same period KSE100 index moved in the range between **47,084.34** to **40,958.65**. In a declining market, the stock of DCR remained fairly stable with beta of **0.32** (which means for a given 100% change in market KSE-100 Index; DCR would change only 32%, 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 17.93** at the quarter ended on September 30, 2017 compared with **PKR 18.77** at the year ended on June 30, 2017 and **PKR 17.36** of the corresponding period last year i.e. September 30, 2016).

DCR on its closing Unit price of **PKR 10.93** on September 29, 2017 traded at a **discount of 39.04%** to its NAV.

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 and consistent in the longer term. It is important that REITs are supported at all levels and benefits that are available to REITs in the province of Sindh are extended throughout the country for their proliferation.

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 is 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.

Recommendation and Distribution Of Dividend

The Board of Directors of the REIT management company have announced interim cash dividend of **PKR 0.30** per unit that is **3.0%** for the period ended **September 30, 2017**. The declared dividend translate into an annualized Dividend Yield equal to **12.00%** based on the par value, equivalent to **10.91%** for IPO

investors at the issue (strike) price of **PKR 11** per unit.

Further during the period the Scheme has paid a final cash dividend for the year ended on June 30, 2017 of **PKR 1.15** per unit i.e. **11.50%** on September 25, 2017 which was announced earlier by the Board of RMC.

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



Abdus Samad A.Habib

Director
Karachi

26 October 2017



Muhammad Ejaz

Chief Executive
Karachi

26 October 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
Email: info@cdcpak.com



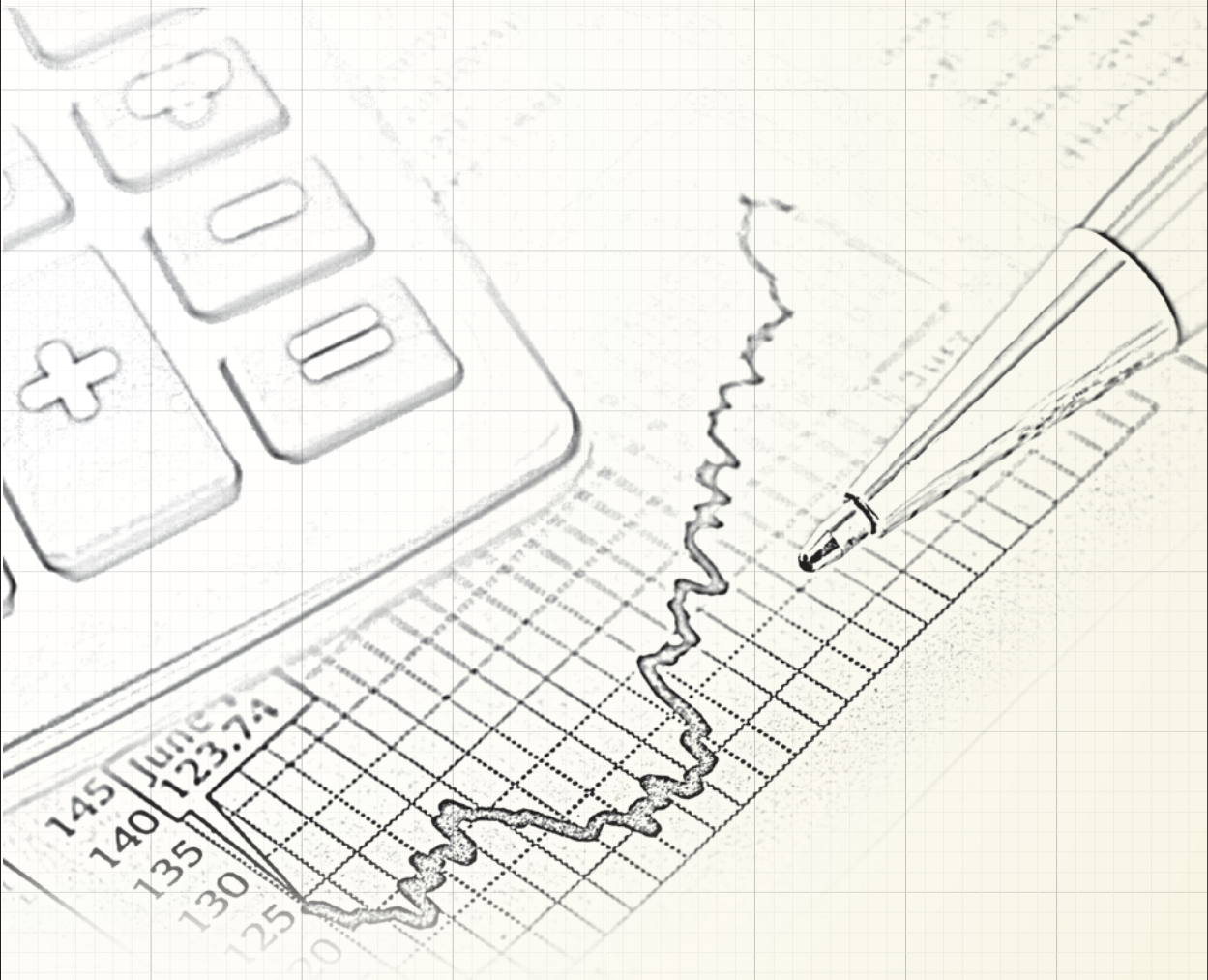
**TRUSTEE REPORT TO THE UNIT HOLDERS
DOLMEN CITY REIT**

**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 in all material respects complied with the requirements of the Real Estate Investment Trust Regulations, 2015 during the quarter ended September 30, 2017.

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

Karachi: October 23, 2017



*Condensed Interim Financial
Information for the three months
period ended 30th September 2017*

Condensed Interim Balance Sheet

As at 30th September 2017

	Note	(Unaudited) 30, September 2017	(Audited) 30, June 2017
(Rupees in '000)			
ASSETS			
Non - current assets			
Total non - current assets - Investment property	6	38,839,964	38,839,964
Current assets			
Rent receivables	7	120,553	91,135
Advances, prepayments and other receivables	8	276,574	258,051
Profit accrued		15,529	25,171
Bank balances	9	1,683,051	3,185,531
Total current assets		20,95,707	3,559,888
Total assets		40,935,671	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		17,353,501	19,217,152
Total unit holders' fund		39,871,847	41,735,498
Liabilities			
Non - current liabilities			
Formation costs payable to REIT management company		50,339	105,255
Security deposits		109,691	88,020
Total non - current liabilities		160,030	193,275
Current liabilities			
Payable to REIT management company	10	79,390	78,531
Security deposits		125,322	140,713
Accrued expenses and other liabilities	11	699,082	251,835
Total current liabilities		903,794	471,079
Total unit holders' fund and liabilities		40,935,671	42,399,852
(Rupees)			
Net assets value per unit		17.93	18.77

CONTINGENCIES AND COMMITMENTS

12


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



Chief Finance Officer



Chief Executive Officer



Director

Condensed Interim Profit and Loss Account (Unaudited)For the three months period ended 30th September 2017

	Note	30, September 2017	30, September 2016
(Rupees in '000)			
Income			
Rental income		750,991	684,028
Marketing income		36,864	40,869
		787,855	724,897
Administrative and operating expenses	13	(115,656)	(83,252)
Net operating income		672,199	641,645
Other income - profit on deposits		47,991	30,749
		720,190	672,394
Management fee	10.1	(20,166)	(19,249)
Sindh Sales Tax on management fee	10.1	(2,622)	(2,502)
Trustee remuneration	11.1	(3,361)	(3,208)
Sindh Sales Tax on trustee remuneration	11.1	(437)	(417)
		(26,586)	(25,376)
Profit before taxation		693,604	647,018
Taxation	14	-	-
Profit after taxation		693,604	647,018
(Rupees)			
Earnings per unit - Distributable income		0.31	0.29
Earnings per unit - Undistributable unrealised fair value gains		-	-
Earnings per unit - Basic and diluted	16	0.31	0.29

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



Chief Finance Officer



Chief Executive Officer



Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the three months period ended 30th September 2017

	30, September 2017	30, September 2016
	(Rupees in '000)	
Profit after taxation	693,604	647,018
Other comprehensive income	-	-
Total comprehensive income for the period	693,604	647,018

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



Chief Finance Officer



Chief Executive Officer



Director

Condensed Interim Cash Flow Statement (Unaudited)For the three months period ended 30th September 2017

	30, September 2017	30, September 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	693,604	647,018
Adjustments for:		
Profit on deposits	(47,991)	(30,749)
	645,613	616,269
Working capital changes		
Increase in current assets		
- Rent receivables	(29,418)	(34,074)
- Advances, prepayments and other receivables	(17,356)	(17,304)
Increase in current liabilities		
- Payable to the REIT management company	859	21,752
- Accrued expenses and other liabilities	447,247	35,863
Cash generated from operations	1,046,945	622,506
Taxes paid	(1,167)	(601)
Formation costs paid - net	(54,916)	(54,916)
Security deposits received- net	6,280	6,880
Net cash generated from operations	997,142	573,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit on deposits received	57,633	87,637
Redemption of term deposit receipts	-	700,000
Net cash generated from investing activities	57,633	787,637
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities - Dividend paid	(2,557,255)	(2,312,648)
Net increase / (decrease) in cash and cash equivalents during the period	(1,502,480)	(951,142)
Cash and cash equivalents at beginning of the period	3,185,531	2,126,862
Cash and cash equivalents at end of the period	1,683,051	1,175,720

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



Chief Finance Officer



Chief Executive Officer



Director

Condensed Interim Statement of Changes in Unit Holders' Fund (Unaudited)For the three months period ended 30th September 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	-	-	647,018	647,018	647,018
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	647,018	647,018	647,018
Balance as at 30 September 2016	22,237,000	281,346	16,077,050	16,358,396	38,595,396
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 period ended 30 June 2017 (Rs. 1.15 per unit)	-	-	(2,557,255)	(2,557,255)	(2,557,255)
Total comprehensive income for the period					
Profit for the period	-	-	693,604	693,604	693,604
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	693,604	693,604	693,604
Balance as at 30 September 2017	22,237,000	281,346	17,353,501	17,634,847	39,871,847

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



Chief Finance Officer



Chief Executive Officer



Director

Notes to the Condensed Interim Financial information (Unaudited)

For the three months period ended 30th September 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 & 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 30 September 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 period ended 30 September 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 statement in accordance with the provision of repealed Companies Ordinance, 1984,. Further Institute of Chartered Accountants of Pakistan (ICAP) vide its circular 17 of 2017 has clarified that preparation of financial statements includes preparation of interim financial information for periods ending or on or before 31 December 2017.

The Companies Act, 2017, applicable for financial periods beginning on 01 January 2018 requires certain additional disclosure, however application of Companies Act, 2017, is not likely to have any financial impact on the Scheme's financial statement except extended disclosure.

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.

Notes to the Condensed Interim Financial information (Unaudited)

For the three months period ended 30th September 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.

	Note	Unaudited 30 September 2017 (Rupees in '000)	Audited 30 June 2017
6 INVESTMENT PROPERTY			
Carrying amount at beginning of the period		38,839,964	37,658,988
Add: Change in fair value - unrealised		-	1,180,976
Carrying amount at end of the period	6.1	<u>38,839,964</u>	<u>38,839,964</u>

- 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.

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

Notes to the Condensed Interim Financial information (Unaudited)

For the three months period ended 30th September 2017

Valuation carried out by	30 June 2017 MYK	31 December 2016 NESPAK
	(Rupees in million)	
Cost approach	20,965	18,540
Sales comparison approach	57,186	51,946
Income capitalization approach		
(a) Valuer's assessment of rental income – using 7% capitalization rate	41,583	47,520
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	38,839	37,659

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

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

Significant unobservable inputs

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

Unaudited 30 September 2017	Audited 30 June 2017
(Rupees in '000)	

7 RENT RECEIVABLES

Unsecured

Considered good	120,553	91,135
Considered doubtful	25,669	25,669
	146,222	116,804
Less: Provision for doubtful balances	(25,669)	(25,669)
	120,553	91,135

Notes to the Condensed Interim Financial information (Unaudited)

For the three months period ended 30th September 2017

	Note	Unaudited 30 September 2017	Audited 30 June 2017
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Unsecured - Considered good			
Security deposit		899	837
Prepayments		17,294	-
Advance tax		258,381	257,214
		276,574	258,051
Considered doubtful - unsecured		4,728	4,728
		281,302	262,779
Less: Provision for doubtful balances		(4,728)	(4,728)
		276,574	258,051

9 BANK BALANCES

Term deposit receipts	9.1	900,000	2,502,342
Saving accounts	9.2	780,815	680,953
Current account		2,236	2,236
		1,683,051	3,185,531

9.1 This represents term deposit receipts with Islamic banks and this carry 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 30 September 2017	Audited 30 June 2017
10 PAYABLE TO REIT MANAGEMENT COMPANY			

Management fee payable		20,166	19,360
Sindh Sales Tax		4,308	4,255
		24,474	23,615
Current portion of formation costs	10.1	54,916	54,916
		79,390	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 three months period ended 30th September 2017

	Note	Unaudited 30 September 2017 (Rupees in '000)	Audited 30 June 2017
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Trustee remuneration	11.1	3,798	14,588
Provision for government levies		4,734	4,000
Monitoring fee payable to SECP		5,559	22,237
Payable to associated undertakings		24,562	23,065
Unearned rental income		80,107	92,788
Sales tax and withholding income tax		45,423	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		45,657	27,486
Unclaimed dividend		474,776	2,343
		699,082	251,835

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

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

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

12 CONTINGENCIES AND COMMITMENTS

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

Notes to the Condensed Interim Financial information (Unaudited)For the three months period ended 30th September 2017

	Unaudited 30 September 2017	Unaudited 30 September 2016
	(Rupees in '000)	
13 ADMINISTRATIVE AND OPERATING EXPENSES		
SECP Monitoring fee	5,559	5,559
Property management fee	48,048	44,402
Ancillary income collection fee	6,261	6,207
Common area maintenance charges	4,070	1,645
Legal and professional charges	1,988	2,604
Utility expenses	50	170
Marketing expenses	12,293	8,581
Takaful fee	5,976	4,321
Property and advertisement taxes	4,738	737
Auditors' remuneration	600	607
Renovation expense	24,571	6,512
Others	1,502	1,907
	115,656	83,252

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 30 September 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 these condensed interim financial information are as follows:

Notes to the Condensed Interim Financial information (Unaudited)For the three months period ended 30th September 2017

	Unaudited 30 September 2017	Unaudited 30 September 2016
	(Rupees in '000)	
15.1 Transactions during the period:		
International Complex Projects Limited		
- Rental income	10,323	9,385
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	4,070	1,645
- Expenses incurred on behalf of Scheme	162	-
- Reimbursement of expenses incurred on behalf of Scheme	193	-
Retail Avenue (Private) Limited		
- Rental income	1,988	1,808
Sindbad Wonderland (Private) Limited		
- Rental income	6,557	5,961
Summit Bank Limited		
- Rental income	7,900	7,152

	Unaudited 30 September 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
Dolmen Real Estate Management (Private) Limited - Property Manager		
- Common area maintenance charges	4,070	540
- Expenses payable incurred on behalf of Scheme	162	-
Retail Avenue (Private) Limited		
- Rent receivable	729	66
Sindbad Wonderland (Private) Limited		
- Rent receivable	466	466
Summit Bank Limited		
- Rent receivable	-	1,004

Notes to the Condensed Interim Financial information (Unaudited)For the three months period ended 30th September 2017

	Note	Unaudited 30 September 2017 (Rupees in '000)	Unaudited 30 September 2016
16 EARNINGS PER UNIT - BASIC AND DILUTED			
Profit after taxation		693,604	647,018
(Number of Units)			
Weighted average number of ordinary units during the period		2,223,700,000	2,223,700,000
(Rupees)			
Earnings per unit - Basic and diluted	16.1	0.31	0.29
16.1 Earnings per unit comprises as follows:			
Distributable income - earnings per unit		0.31	0.29
Undistributable unrealised fair value gains - earnings per unit	16.1.1	-	-
		0.31	0.29

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 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the RMC on 26 October 2017.



Chief Finance Officer



Chief Executive Officer



Director



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