

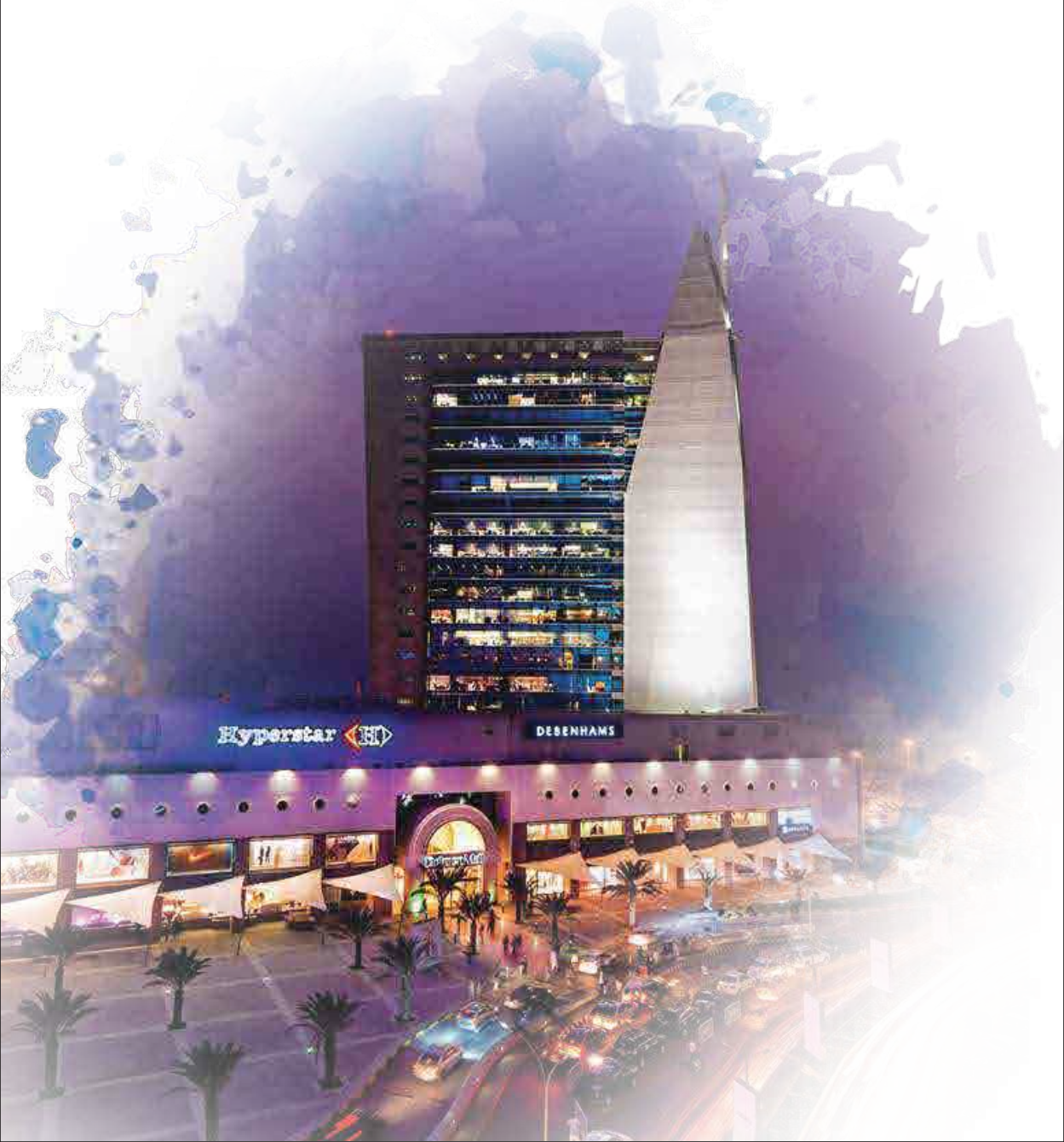


ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

DOLMEN CITY REIT

TODAY, **TOMORROW** TOGETHER

Quarterly Report for the period ended 30 September 2018



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was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015.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.

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SCHEME'S INFORMATION

Management Company Arif Habib Dolmen REIT Management Limited

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

Human Resource & Remuneration Committee	Mr. Asadullah Khawaja	Chairman
	Mr. Nadeem Riaz	Member
	Mr. Abdus Samad A. Habib	Member
	Mr. Muhammad Ejaz	Member

CFO & Company Secretary Mr. Muneer Gader

Head of Internal Audit & Compliance Mr. Zohaib Yaqoob

Trustee | Share Registrar Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S,
Main Shahra-e-Faisal, Karachi.

Bankers

- Bank Al Habib Limited
- 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 & Co.
Chartered Accountants
Cavish Court A-35, Block
7 & 8, K.C.H.S.U,
Shahra-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 Alhamd Shariah Advisory Services (Private) Limited

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 (Management Quality Rating)
DCR Rating: RR1 (REIT Rating)

Registered Office of Management Company 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.

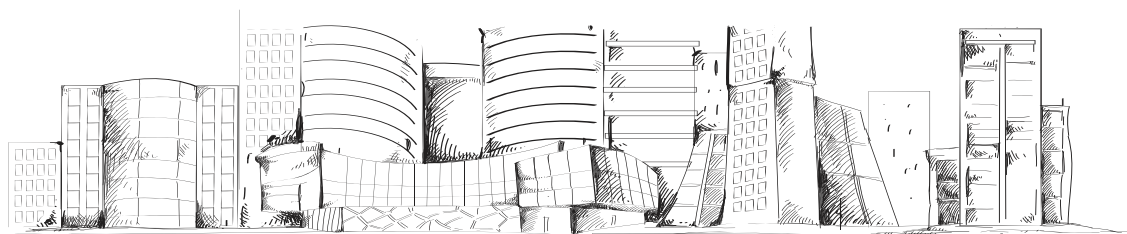
MISSION

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, We are pleased to present the Director's Review report of Dolmen City REIT (DCR), the Scheme, for the three month period ended 30 September 2018 of financial year 2018-19.

Financial and Operational Performance

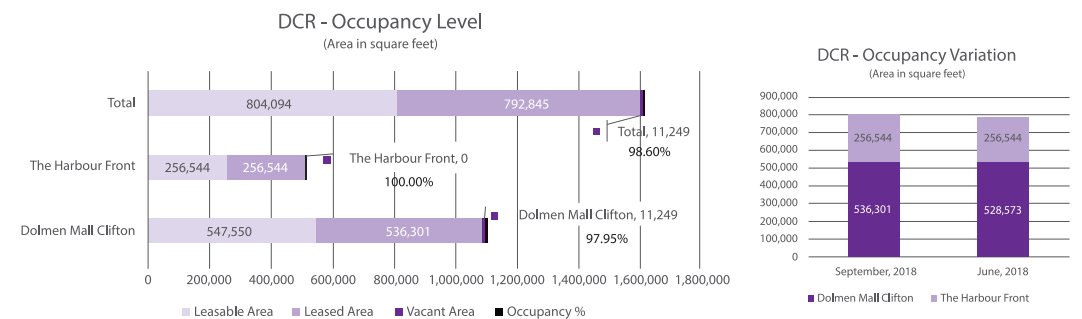
During the period under review, DCR recorded a rental income of PKR 798.76 million as compared to PKR 750.99 million in corresponding period showing an increase of 6.36% Marketing income was recorded at PKR 42.16 million as compared to PKR 36.864 million in corresponding period showing an increase of 14.37%. Administrative and operating expenses during the period were 13.16% of rental income at PKR 105.08 million. Net Operating Income 'NOI' for the period was recorded at PKR 735.85 million as compared to PKR

672.20 million in corresponding period with an increase of 9.47%. Profit for the period was recorded at PKR 731.13 million, growing by 5.41% from PKR 693.60 million in the corresponding period. The percentage increase in NOI of 9.47% could not translated into bottom line as profit on deposits fell by 49.19% as compared to corresponding period due to dividend distribution on quarterly basis. 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 0.33 per unit against PKR 0.31 per unit in the corresponding period.

The occupancy level of DCR's property is stable on an overall basis and stand at 98.60% by the end of September 2018 (compared with 97.67% at the end of June 2018). The Harbour Front is completely occupied with satisfied tenants and the tenancy pool of Dolmen Mall Clifton has majorly remained the

same. Total vacant area in the Mall is 11,244 square feet. During the quarter, some brands and companies such as AFH, Bombay Chowpati, and Stiletto have exited the tenancy pool while BBQ Tonight, Skechers, 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 September 30, 2018, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around 3.03 years and of the Harbour Front (32% of the total area) is around 3.35 years (DCR's current average lease expiry is 3.13 years).

Occupancy level at Dolmen Mall Clifton and Harbour Front for the period ended 30 September 2018 is as follow:



Marketing Activities

Marketing and branding activities during the period in review kept the Mall bustling with healthy footfall during the quarter.

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.

Independence Day: 14 August celebrations have been a signature event for Dolmen Mall since its inception. This year Pakistan celebrated its 71 anniversary and we at Dolmen Mall ensured that celebrations were amplified great zeal.

We wanted to give the society a sense of ownership to the mother land and giving the love to the country by being patriotic and by Integrating the Independence Day celebrations with in Mall activations customers got the unique experience of nationalism while enjoying the thematic ambiance. The recorded footfall during the event was 186,786 visitors.

Back to School: The idea of the event was to provide a platform to different children related brands to give customers mainly parents the information on how to best get their kids ready and make the return to school more fun with all the favorite brands on board The recorded footfall during the event was 116,111 visitors.

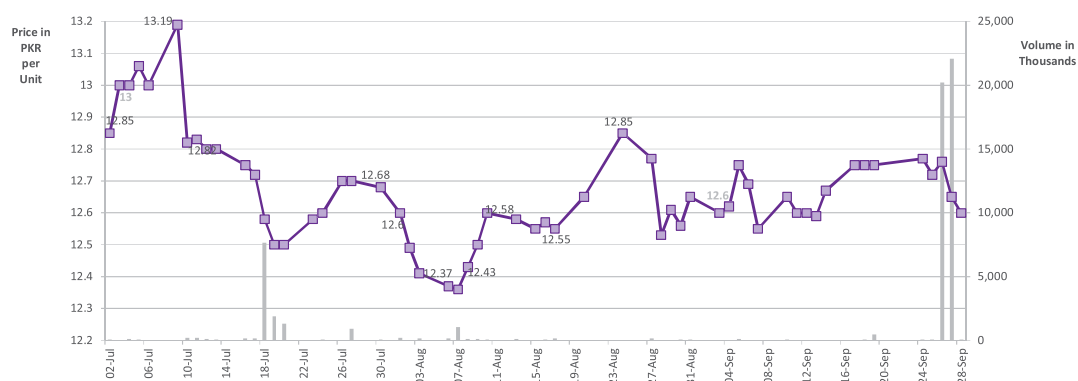
Wheel on Show: Wheels on Show was a first of its kind Auto Show at Dolmen Mall Clifton. The event was held from the 28th till 30th of September and was even extended for 2 extra days due to the unexpected response received from the customers. Major Brands like BMW and Harley were on board where they displayed their top of the line models. Car enthusiasts also participated in the event with their own sports cars by displaying them at the Mahawkland area. A special team from The Distinguished Gentlemen Ride visited the Mall on Sunday with their bikes and proper attire raising awareness about Prostate Cancer. The recorded footfall during the event was 98,229 visitors.

Stocks Performance

During the quarter under review, the stock of 'DCR' traded at an average unit price of PKR 12.67 and touched a high of PKR 13.19 and a low of PKR 12.36 per unit. During the same period KSE100 index moved in the range between 43,556.63 to 39,288.48. In a volatile market, the stock of DCR remained fairly stable with beta of 0.24 (which means for every 1 rupee change in the value of a share in the benchmark; DCR price would likely change by only 24 paisa, beta here represents low volatility and elasticity) and covariance with the market of only 0.23 (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). Hence, REITs are excellent instruments for accomplishing portfolio diversification and reduced volatility.

The Net Asset Value 'NAV' per Unit of DCR is PKR 19.02 at the quarter ended on 30 September 2018 and was PKR 18.99 at the end of 30 June 2018 and was PKR 17.93 at the end of the corresponding period last year i.e. 30 September 2017. DCR on its closing Unit price of PKR 12.60 on 28 September 2018 traded at a discount of 33.75% to its NAV.

Stock Market performance of DCR Unit
July 2018 to September 2018



Dividend Distribution

The board of directors have declared and approved an interim cash dividend for the quarter ended 30 September 2018 at PKR 0.33 per unit. It will translate into annual dividend yield of 13.2%. The said dividend will be entitled to those unit holders whose name will appear in the register of unit-holder on the close of business on 09 November 2018.

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 tenure, 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 third year in a row (RR1, highest investment quality) by JCR-VIS Credit Rating Agency in 2018.

Outlook

Dolmen City REIT is operating above its projected financial trajectory and has remained successful in maintaining occupancy levels and posting rental growth. Consistent 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. However upcoming office supplies in next one or two year may put pressure in rental growth for office space but in case of Dolmen Mall the Scheme should be able to derive double digit growth year on year basis.

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

Karachi
19 October 2018

**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 quarter ended September 30, 2018.

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

Karachi: October 25, 2018



**CONDENSED INTERIM
FINANCIAL INFORMATION FOR
THE THREE MONTHS PERIOD
ENDED 30 SEPTEMBER 2018**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018	Audited 30 June 2018
(Rupees in '000)			
ASSETS			
Non - current assets			
Total non - current assets - Investment property	6	41,119,132	41,119,132
CURRENT ASSETS			
Rent receivables	7	112,863	128,048
Advances, prepayments and other receivables	8	285,555	264,541
Profit accrued		7,708	6,509
Bank balances	9	1,450,646	1,479,790
Total current assets		1,856,772	1,878,888
Total assets		42,975,904	42,998,020
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		20,059,200	19,995,181
Total unit holders' fund		42,296,200	42,232,181
LIABILITIES			
Non - current liabilities			
Formation costs payable to REIT management company		-	50,339
Security deposits		195,834	163,950
Total non - current liabilities		195,834	214,289
CURRENT LIABILITIES			
Payable to REIT management company	10	76,972	81,692
Security deposits		113,229	135,829
Accrued expenses and other liabilities	11	276,532	317,225
Unclaimed dividend		17,137	16,804
Total current liabilities		483,870	551,550
Total unit holders' fund and liabilities		42,975,904	42,998,020
(Rupees)			
Net assets value per unit		19.02	18.99

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 STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	Note	30 September 2018	30 September 2017
(Rupees in '000)			
Income			
Rental income		798,764	750,991
Marketing income		42,162	36,864
		840,926	787,855
Administrative and operating expenses	13	(105,081)	(115,656)
Net operating income		735,845	672,199
Other income - profit on deposits		24,386	47,991
		760,231	720,190
Management fee	10	(22,075)	(20,166)
Sindh Sales Tax on management fee	10	(2,870)	(2,622)
Trustee remuneration	11.1	(3,679)	(3,361)
Sindh Sales Tax on trustee remuneration	11.1	(478)	(437)
		(29,102)	(26,586)
Profit before taxation		731,129	693,604
Taxation	14	-	-
Profit after taxation		731,129	693,604
(Rupees)			
Earnings per unit - Distributable income		0.33	0.31
Earnings per unit - Undistributable unrealised fair value gains		-	-
Earnings per unit - Basic and diluted	16	0.33	0.31

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 THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	30 September 2018	30 September 2017
	(Rupees in '000)	
Profit after taxation for the period	731,129	693,604
Other comprehensive income	-	-
Total comprehensive income for the period	731,129	693,604

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

CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	30 September 2018	30 September 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	731,129	693,604
Adjustments for:		
Profit on deposits	(24,386)	(47,991)
	706,743	645,613
Working capital changes		
Decrease / (increase) in current assets		
- Rent receivables	15,185	(29,418)
- Advances, prepayments and other receivables	(19,715)	(17,356)
(Decrease) / increase in current liabilities		
- Payable to the REIT management company	(4,720)	859
- Accrued expenses and other liabilities	(40,693)	(25,186)
- Unclaimed dividend	333	472,433
Cash generated from operations	657,133	1,046,945
Taxes paid (withhold at source)	(1,299)	(1,167)
Formation costs paid - net	(50,339)	(54,916)
Security deposits received- net	9,284	6,280
Net cash generated from operations	614,779	997,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities - Profit on deposits received	23,187	57,633
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities - Dividend paid	(667,110)	(2,557,255)
Net decrease in cash and cash equivalents during the period	(29,144)	(1,502,480)
Cash and cash equivalents at beginning of the period	1,479,790	3,185,531
Cash and cash equivalents at end of the period	1,450,646	1,683,051

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



Chief Financial Officer



Chief Executive Officer



Director



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN UNIT HOLDERS' FUND (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	Units	Reserves			Total	Unit holders' fund
		Capital Reserves	Revenue Reserves			
		Premium on issue of units - net	Fair Value Reserve Note 16.1.1	Unappropriated profit		
(Rupees in '000)						
Balance as at 30 June 2017	22,237,000	281,346	16,602,964	2,614,188	19,498,498	41,735,498
Transactions with owners						
Cash dividend for the year 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
Balance as at 30 September 2017	22,237,000	281,346	16,602,964	750,537	17,634,847	39,871,847
Balance as at 30 June 2018	22,237,000	281,346	18,882,132	831,703	19,995,181	42,232,181
Transactions with owners						
Cash dividend for the period ended 30 June 2018 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
Total comprehensive income for the period - profit for the period	-	-	-	731,129	731,129	731,129
Balance as at 30 September 2018	22,237,000	281,346	18,882,132	895,722	20,059,200	42,296,200



Chief Financial Officer



Chief Executive Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

1 STATUS AND NATURE OF BUSINESS

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

The Trust Deed of the Scheme was registered on 20 January 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on 29 May 2015. The Scheme is a Perpetual, Closed-end, Shariah Compliant, Rental REIT. The Scheme is listed on Pakistan Stock Exchange. The Scheme is rated "RR1" by JCR-VIS Credit Rating Company Limited. The registered office of the REIT Management Company is situated at Arif Habib Center, 23 M.T. Khan Road, Karachi. All of the activities undertaken by the Scheme during the period ended 30 September 2018 including but not limited to deposits and placements with banks, rental and marketing income earned were all in accordance with principle of Shariah.

1.2 The Scheme is the subsidiary of International Complex Projects Limited (ICPL). As at 30 September 2018, ICPL directly holds 75 percent units of the Scheme. The Scheme started its commercial activities on 01 June 2015.

2 BASIS OF PREPARATION

2.1 This condensed interim financial information of the Scheme for the period ended 30 September 2018 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" (IAS - 34) and provisions of and directives issued under the Companies Act, 2017 and Part VIII of the repealed Companies Ordinance 1984, REIT Regulations, 2015 and requirements of trust deed. Where the provision of and directives issued under the Companies Act, 2017 and Part VIII of the repealed Companies Ordinance 1984, REIT Regulations, 2015 and requirements of trust deed differ from IAS (34), the provisions of or directives issued under the Companies Act, 2017 and Part VIII of the repealed Companies Ordinance 1984, REIT Regulations, 2015 and requirements of trust deed have been followed.

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 2018. 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.

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 30 SEPTEMBER 2018

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 2018 except for certain accounting and reporting standards which became effective for annual period beginning on or after 01 July 2018. In addition to this certain amendments to existing accounting and reporting standards and interpretations also became effective for the period beginning on or after 01 July 2018 however the new accounting and reporting standards or amendments to existing accounting and reporting standards or interpretations 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, 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 2018.

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 2018.

6 INVESTMENT PROPERTY

	Unaudited 30 September 2018	Audited 30 June 2018
Note	(Rupees in '000)	
Carrying amount at beginning of the period	41,119,132	38,839,964
Add: Change in fair value of investment property/ unrealised gain	-	2,279,168
Carrying amount at end of the period	41,119,132	41,119,132

6.1 The Investment property comprise of the buildings named as the "DOLMEN CITY MALL" and the "HARBOUR FRONT", comprising of two Basements (5,285 square feet), Ground floor (187,347 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

The investment property had been valued by MYK Associates (Private) Limited ("MYK" or "the Valuer") as at 30 June 2018 and perviously as at 31 December 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 are summarised below:

	30 June 2018	31 December 2017
	(Rupees in million)	
Cost approach	21,632	20,889
Sales comparison approach	59,712	56,345
Income capitalization approach		
(a) Valuer's assessment of rental income – using 7% capitalization rate	43,729	41,112
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	41,119	39,967

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 had stated that out of three approaches identified in REIT Regulations, 2015 "Income Capitalization Approach" is the most typical approach used for income producing properties i.e. rental properties. MYK had 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 forced sales value of the investment property is assessed to be Rs. 47.770 Billion as of the last valuation date i.e. 30 June 2018 (31 December 2017: Rs. 45.076 Billion).

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.

The sensitivity analysis of valuation of investment property as of last valuation date i.e. 30 June 2018 is as follows:

	Sensitivity	
	Change in input	Effect on fair value
	(Rupees in '000)	
- Present revenue (based on exiting leasing contracts)	+ 5%	2,475,104
- Present revenue (based on exiting leasing contracts)	- 5%	(2,475,104)
- Present operating costs (based on projected costs)	+ 5%	(419,147)
- Present operating costs (based on projected costs)	- 5%	419,147
- Capitalization rate	+ 1%	(5,139,892)
- Capitalization rate	- 1%	6,853,189

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

7	RENT RECEIVABLES		Unaudited 30 September 2018	Audited 30 June 2018
		Note	(Rupees in '000)	
	Unsecured			
	Considered good		112,863	128,048
	Considered doubtful		25,669	25,669
			138,532	153,717
	Less: Provision for doubtful balances		(25,669)	(25,669)
			112,863	128,048
8	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
	Unsecured - Considered good			
	Security deposit		959	944
	Prepayments		19,952	252
	Advance tax		264,644	263,345
			285,555	264,541
	Considered doubtful - unsecured		4,728	4,728
			290,283	269,269
	Less: Provision for doubtful balances		(4,728)	(4,728)
			285,555	264,541
9	BANK BALANCES			
	Term deposit receipts	9.1	1,100,000	1,310,000
	Saving accounts	9.2	348,160	167,304
	Current account		2,486	2,486
			1,450,646	1,479,790

9.1 These represent term deposit receipts with Islamic banks and these carry expected profit rates ranging from 7.50% to 7.85% (30 June 2018: 6.5%) per annum with maturity of one month. These include security deposits received by the Scheme from tenants.

9.2 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.05% to 7.07% (30 June 2018: 2.05% to 6.40%) per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

10	PAYABLE TO REIT MANAGEMENT COMPANY		Unaudited 30 September 2018	Audited 30 June 2018
		Note	(Rupees in '000)	
	Management fee payable		22,075	22,203
	Sindh Sales Tax		4,557	4,573
		10.1	26,632	26,776
	Current portion of formation costs		50,340	54,916
			76,972	81,692
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 RMC through Sindh Sales Tax on Services Act 2011, effective from 01 July 2014. The current applicable rate is 13% being effective from 1 July 2016.			
11	ACCRUED EXPENSES AND OTHER LIABILITIES			
		Note	Unaudited 30 September 2018	Audited 30 June 2018
			(Rupees in '000)	
	Trustee remuneration	11.1	19,826	15,668
	Provision for government levies		3,828	1,329
	Monitoring fee payable to SECP		5,559	22,237
	Payable to associated undertakings		46,309	41,488
	Unearned rental income		62,055	92,073
	Sales tax and withholding income tax		48,099	45,963
	Charity payable		2,486	2,486
	Federal Excise Duty	11.2	11,980	11,980
	Takaful fee		-	1,537
	Shariah advisory fee		55	220
	Accrued expenses		70,746	74,106
	Other liabilities		5,589	8,138
			276,532	317,225

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 period. The Sindh Government has levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act 2011, effective from 01 July 2015. The current applicable rate is 13% being 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

The Honorable 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) 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. Subsequently, the SHC in its decision dated 30 June 2016 on CP No. D-3547 of 2013 in respect of constitutional petition filed by management companies of mutual funds maintained the aforesaid 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 2018.

13 ADMINISTRATIVE AND OPERATING EXPENSES

	30 September 2018	30 September 2017
	(Rupees in '000)	
SECP Monitoring fee	5,559	5,559
Property management fee	52,873	48,048
Ancillary income collection fee	9,317	6,261
Common area maintenance charges	4,042	4,070
Legal and professional charges	993	738
Marketing expenses	14,991	12,293
Renovation expense	7,234	24,571
Shariah advisory fee	55	50
Utility expenses	120	50
Takaful fee	4,285	5,976
Property and advertisement taxes	4,527	4,738
Auditors' remuneration	600	600
Others	485	2,702
	105,081	115,656

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 2019 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 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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.

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

15.1 Transactions during the period:

	30 September 2018	30 September 2017
	(Rupees in '000)	
International Complex Projects Limited		
- Rental income	11,355	10,323
Dolmen Real Estate Management (Private) Limited - Associate due to common directorship		
- Common area maintenance charges	4,042	4,070
- Expenses incurred on behalf of Scheme	316	162
- Reimbursement of expenses incurred on behalf of Scheme	395	193
Retail Avenue (Private) Limited - Associate due to common directorship		
- Rental income	2,187	1,988
Sindbad Wonderland (Private) Limited - Associate due to common directorship		
- Rental income	10,117	6,557
MCB - Arif Habib Savings and Investment Limited - Associate due to common directorship		
- Marketing income	356	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

15.2 Amounts outstanding as at period end

	Unaudited 30 September 2018 (Rupees in '000)	Audited 30 June 2018
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	3,787	3,787
Dolmen Real Estate Management (Private) Limited - Associate due to common directorship		
- Common area maintenance charges	22,569	18,527
- Expenses incurred on behalf of Scheme	346	375
Retail Avenue (Private) Limited - Associate due to common directorship		
- Rent receivable	66	66
Sindbad Wonderland (Private) Limited - Associate due to common directorship		
- Rent receivable	466	466

16 EARNINGS PER UNIT - BASIC AND DILUTED

	Note	30 September 2018 (Rupees in '000)	30 September 2017
Profit after taxation		731,129	693,604
		(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	0.33	0.31

16.1 Earnings per unit comprises as follows:

Distributable income - earnings per unit		0.33	0.31
Undistributable unrealised fair value gains - earnings per unit	16.1.1	-	-
		0.33	0.31

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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.

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

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

18 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors of the RMC in their meeting held on 19 October 2018 have declared and approved an interim cash dividend for the period ended 30 September 2018 of Rs 0.33 per unit amounting to Rs 733.821 million. These financial statement do not include the effect of above announcement 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 19 October 2018.



Chief Financial Officer



Chief Executive Officer



Director



ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

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