

**Arif Habib Dolmen REIT
Management Limited**

Condensed Interim Financial Information
for the Quarter ended
September 30, 2019

Arif Habib Dolmen REIT Management Limited

Directors' Report

For the Quarter Ended 30 September 2019

The Board of Directors of Arif Habib Dolmen REIT Management Limited (RMC) are pleased to present the Condensed interim financial Information of the Company for the quarter ended on 30 September 2019.

Operational and Financial Results

Dolmen City REIT, remained the backbone of RMC's income. The Scheme's Net Operating Income over the period has shown a growth of 4.96 % amounting to PKR 772.32 million as compared to PKR 735.85 million during the corresponding period.

With the increase in profitability of the Scheme, the RMC earned a management fee amounting to PKR 23.17 million as compared to PKR 26.58 million (including advisory fee of PKR 5.1) during the corresponding period. The administrative expenses of the RMC for the period were PKR 13.82 million as compared to PKR of 9.85 million during the corresponding period which resulted in gross profit for the period amounting to PKR 9.35 million. The profit after tax for the period remained at PKR 7.83 million as compared to PKR 9.49 million in the corresponding period.

Future outlook

The real estate sector in Pakistan could not play its due role due to the issues that emanate from lack of documentation. We believe that the issues can be addressed if REITs are allowed a level playing field and tax dis-advantages faced by it are removed. REITs are an important investment vehicle for the documentation of real estate sector and deepening of capital markets, therefore it is vital that REITs are supported at all levels. The only REIT in Pakistan 'Dolmen City REIT', was launched before certain impediments came in through the Finance Act 2015. These impediments continue to stall REITs even after enactment of Finance Act 2019. The present tax laws make the process of doing business under REITs unfeasible owing to imposition of:

- i) **Capital Gains Tax** even before the gains are realized (as per Section 99A, Part-1, Second Schedule, Income Tax Ordinance); and
- ii) **Unfairly high tax rate on Dividends** paid out by REITs (**25%** as per Division III, Part-1, First Schedule, Income Tax Ordinance).

Moreover, REITs should be exempted from advance taxation (under section 236C and section 236K of the ITO) on transfers of property to and from REIT schemes (whereby property transfers in the name of REIT's Trustee is an additional step which is not required in any other form of organization). Unjust taxation regime is depriving government of significant tax collection; deprive industry of formalization, transparency and access to finance; and deprive small savers an opportunity to invest in real estate.

It is important to note that in a real estate project, public money inevitably gets involved in the form of customer advances. Therefore, it is imperative that such business is undertaken by regulated corporate entities such as REITs. However, in order to promote them, it is essential that a level playing field is provided to investors and sponsors when exposed to a REIT business compared with other forms of real estate business conducted in Pakistan and tax dis-advantages faced by REITs are removed. Sindh introduced an excellent mechanism of

floating rate to calculate the levy implicated on the transfer of immovable property to and from REITs (including the Capital Value Tax, Registration fee and Stamp Duty), other Provincial governments should rationalize the taxation and duties as implemented in the province of Sindh.

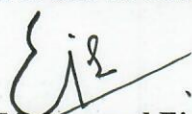
Related Party Transaction

In order to comply with REIT Regulations and the Code of Corporate Governance, the RMC presented all related party transactions before the Audit Committee and Board for their review and approval.

Acknowledgement

The Board would like to thank the Securities and Exchange Commission of Pakistan and other 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
October 16, 2019

Arif Habib Dolmen REIT Management Limited
Condensed Interim Statement of Financial Position
As at 30 September 2019

	Unaudited	Audited
	30 September	30 June
Note	2019	2019
	Amount in Rupees	
6	517,648	461,001
7	13,240	14,431
	3,105,400	2,632,800
	10,000	19,000
	317,322	1,731
	<u>3,963,610</u>	<u>3,128,963</u>
8	135,666	1,162,760
	26,766,717	26,058,503
	-	50,339,537
9	10,592,861	10,432,588
10	9,059,814	5,887,677
11	75,930,014	18,713,414
12	85,108,375	103,862,596
	<u>207,593,447</u>	<u>216,457,075</u>
	<u>211,557,057</u>	<u>219,586,038</u>

SHAREHOLDERS' EQUITY AND LIABILITIES

Share capital and reserves

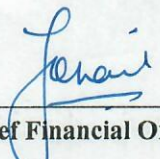
Issues, subscribed and paid-up capital	200,000,000	200,000,000
Reserves	2,225,157	(5,609,571)
	<u>202,225,157</u>	<u>194,390,429</u>

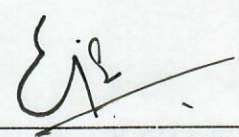
Current Liabilities

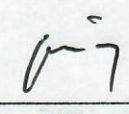
Accrued expenses and other payables	13	8,122,787	23,865,878
Taxation - net		1,209,113	1,329,731
		<u>9,331,900</u>	<u>25,195,609</u>
Total Equity and Liabilities		<u>211,557,057</u>	<u>219,586,038</u>

Contingencies and commitments 14

The annexed notes form an integral part of this condensed interim financial information.


Chief Financial Officer

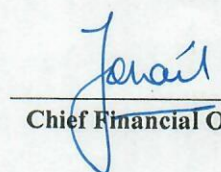

Chief Executive Officer



Director

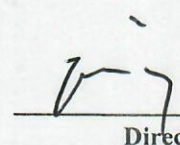
Arif Habib Dolmen REIT Management Limited
Condensed Interim Statement of Profit or Loss (Un-audited)
For the three months period ended 30 September 2019

	Note	30 September 2019	30 September 2018
		Amount in Rupees	
Operating revenue - net	15	23,169,600	26,575,351
Administrative expenses	16	(13,817,604)	(9,849,209)
Finance cost		(1,389)	(2,176)
Other income		3,468,828	185,468
Other operating expense		(2,078,150)	-
Profit before taxation		10,741,285	16,909,434
Taxation	17	(2,906,557)	(7,419,365)
Profit after taxation		7,834,728	9,490,068
Earning per share - Basic and Diluted		0.39	0.47

The annexed notes form an integral part of this condensed interim financial information.


Chief Financial Officer

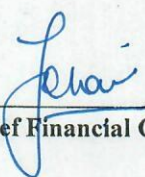

Chief Executive Officer

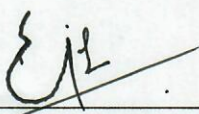

Director


Arif Habib Dolmen REIT Management Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended 30 September 2019

	30 September 2019	30 September 2018
	Amount in Rupees	
Profit after taxation	7,834,728	9,490,068
Other Comprehensive Income		
Total comprehensive Income for the period	<u>7,834,728</u>	<u>9,490,068</u>

The annexed notes form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

Arif Habib Dolmen REIT Management Limited
Condensed Interim Statement of Cash Flow (Un-audited)
For the three months period ended 30 September 2019

30 September 2019 30 September 2018
Amount in Rupees

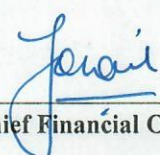
CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax	10,741,285	16,909,434
Adjustment for:		
Depreciation and amortisation	41,690	42,150
Dividend income	(2,554,200)	(5,213)
Loss on remeasurement of investments	2,078,150	-
Mark-up on bank deposits	(164,609)	(184,504)
	(598,969)	(147,567)
	10,142,316	16,761,867
Working capital changes		
Increase in current assets		
Service fee receivable	(708,214)	(986,231)
Current portion of long term loans to employees and advances	(160,273)	(351,821)
Prepayments and other receivables	(3,172,137)	(1,382,419)
	(4,040,624)	(2,720,471)
(Decrease) / increase in current liabilities		
Accrued expenses and other payables	(15,743,091)	2,817,121
Cash (used in) / generated from operations	(9,641,399)	16,858,516
Long term loan to employees	9,000	2,800
Long term deposits and receivables	(472,600)	-
Taxes paid	(3,342,766)	(2,943,792)
Net cash (used in) / generated from operating activities	(13,447,765)	13,917,524

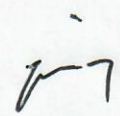
CASH FLOWS FROM INVESTING ACTIVITIES

Formation cost received from scheme	50,339,537	54,915,860
Addition to property and equipment	(97,146)	(80,600)
Dividend received	2,554,200	5,213
Investments in units of Dolmen City REIT	(59,294,750)	-
Proceeds from disposal of investment	-	118,395
Markup received	1,191,703	182,438
Net cash (used in) / generated from investing activities	(5,306,456)	55,141,306
Net (decrease) / increase in cash and cash equivalents	(18,754,221)	69,058,830
Cash and cash equivalents at beginning of the period	103,862,596	16,746,028
Cash and cash equivalents at end of the period	85,108,375	85,804,858

The annexed notes form an integral part of this condensed interim financial information.


Chief Financial Officer

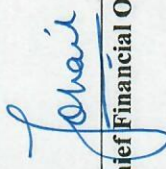

Chief Executive Officer

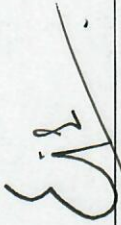

Director

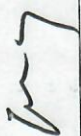
Arif Habib Dolmen REIT Management Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended 30 September 2019

	Share Capital	Reserves		Sub Total	Shareholder's Equity
		Capital Fair Value Reserves	Revenue Accumulated Profit / (Loss) Amount in Rupees		
Balance as at 30 June 2018	200,000,000	38,912	(43,234,608)	(43,195,696)	156,804,304
Total comprehensive income for the period					
Profit for the period			9,490,068	9,490,068	9,490,068
Derecognition of investment at fair value through OCI		(38,912)	38,912	-	-
Other comprehensive Income		-	-	-	-
Total comprehensive income for the period	-	(38,912)	9,528,980	9,490,068	9,490,068
Balance as at 30 September 2018	200,000,000	-	(33,705,628)	(33,705,628)	166,294,372
Balance as at 30 June 2019	200,000,000	-	(5,609,571)	(5,609,571)	194,390,429
Total comprehensive income for the period					
Profit for the period			7,834,728	7,834,728	7,834,728
Other comprehensive income		-	-	-	-
Total comprehensive income for the period	-	-	7,834,728	7,834,728	7,834,728
Balance as at 30 September 2019	200,000,000	-	2,225,157	2,225,157	202,225,157

The annexed notes form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

Arif Habib Dolmen REIT Management Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the three months period ended 30 September 2019

1 STATUS AND NATURE OF BUSINESS

Arif Habib Dolmen REIT Management Limited (the Company) was incorporated in Pakistan as a public limited company (un-quoted) on April 08, 2009 under the repealed Companies Ordinance, 1984 (now Companies Act 2017). The Company is a REIT Management Company, registered under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 with the Securities and Exchange Commission of Pakistan (SECP). The Certificate for commencement of business was obtained from SECP on September 07, 2009. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan.

The principle business of the Company is to launch Real Estate Investment Trust (REIT) Schemes and provide REIT management services in accordance with the Real Estate Investment Trust Regulations, 2015. The Company is rated AM2+ (RMC) by VIS Credit Rating Company Limited.

Summary of Significant Transactions

There were no significant transactions during the period to be reported.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provision and directives issued under Companies Act 2017, Part VIII A of repealed Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules 2003), the Real Estate Investment Regulations 2015. Where the provisions of and directives issued under Companies Act, 2017, Part VIII A of repealed Companies Ordinance 1984, the NBFC Rules 2003, the REIT Regulations 2015 differ from IAS 34, the provisions of and directives issued under Companies Act, 2017, Part VIII A of repealed Companies Ordinance 1984, the NBFC Rules 2003, the REIT Regulations 2015 have been followed.

This condensed interim financial information does not include all the information and disclosures required for in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended June 30, 2019.

2.2 Accounting convention

This condensed interim financial information has been prepared under the historical cost convention, except as otherwise disclosed in these notes. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentation currency

Items included in this condensed interim financial information is measured using the currency of the primary economic environment in which the Company operates. This condensed interim financial information is presented in Pakistani Rupee which is the Company's functional and presentation currency, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2019 except for certain accounting and reporting standards which became effective for annual period beginning

on or after 01 July 2019. 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 2019 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 this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experiences. Actual results may differ from these estimates.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2019.

5 **RISK MANAGEMENT**

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company as at and for the year ended June 30, 2019.

6 **PROPERTY AND EQUIPMENT**

Note	Unaudited 30 September 2019	Audited 30 June 2019
	Amount in Rupees	
Opening net book value	461,001	526,467
Additions	97,146	112,980
	558,147	639,447
Less: Depreciation for the period	(40,499)	(178,446)
Closing net book value	517,648	461,001

7 **INTANGIBLE ASSETS**

Opening net book value	14,431	21,539
Less: Amortization for the period	(1,191)	(7,108)
Closing net book value	13,240	14,431

8	SERVICE FEE RECEIVABLE	Note	Unaudited 30 September 2019 Amount in Rupees	Audited 30 June 2019
	Service fee receivable	8.1	<u>26,766,717</u>	<u>26,058,503</u>
8.1	This includes Rs. 26.18 million (30 June 2019: Rs. 25.47 million) receivable from the Scheme in respect of fee. Under the provisions of REIT Regulations 2015, RMC is entitled to an annual management fee not exceeding three percent of Net Operating Income (NOI) of scheme. Management fee becomes receivable on quarterly basis.			
9	CURRENT PORTION OF LONG TERM LOANS TO EMPLOYEES AND ADVANCES	Note	Unaudited 30 September 2019 Amount in Rupees	Audited 30 June 2019
	Unsecured, considered good			
	Current portion of loans to employees		443,700	507,400
	Advances to:			
	Employees	9.1	<u>10,149,161</u> <u>10,592,861</u>	9,925,188 <u>10,432,588</u>
9.1	This includes advance to chief executive officer of the Company amounting to Rs.9.46 million (June 30, 2019: Rs.9.24 million).			
10	PREPAYMENTS AND OTHER RECEIVABLES	Note	Unaudited 30 September 2019 Amount in Rupees	Audited 30 June 2019
	Prepayments		2,056,496	304,292
	Other receivable - Unsecured - Considered good			
	- Javedan Corporation Limited		3,109,989	3,109,989
	- Dolmen City REIT scheme		1,200,000	1,200,000
	- Arif Habib Limited		1,339,933	-
			5,649,922	4,309,989
	Others			
	- Vision View (Private) Limited		1,250,000	1,250,000
	- Others		103,396	23,396
			1,353,396	1,273,396
			<u>9,059,814</u>	<u>5,887,677</u>
11	SHORT TERM INVESTMENT			
	Investments in Dolmen City REIT Scheme			
	- Measured at fair value through Profit or loss		75,929,400	18,712,800
			<u>75,929,400</u>	<u>18,712,800</u>
	Investment in Marginal Trading System (MTS)			
	- Marginal Trading System Arif Habib Limited (an associated company)		614	614
			<u>75,930,014</u>	<u>18,713,414</u>

11.1 Investment at fair value through profit or loss

30 September **30 June**
2019 **2019**
-----Number of units-----

<u>7,740,000</u>	<u>1,840,000</u>	Dolmen City REIT (a related party)	<u>75,929,400</u>	<u>18,712,800</u>
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11.1.1 Unrealized loss on remeasurement of short term investments as of the reporting date

Market value of the investments	75,929,400	18,712,800
Cost of the investments	78,061,550	18,766,800
	(2,132,150)	(54,000)

12 CASH AND BANK BALANCES

Cash in hand		4,061	30,000
Cash at bank			
Saving account	12.1	85,104,186	103,832,468
Current account		128	128
		85,104,314	103,832,596
		85,108,375	103,862,596

12.1 These carries markup at the rates ranging from 9.7% to 12.0% (30 June 2019 : 9.5% to 12.0%) per annum.

13 ACCRUED EXPENSES AND OTHER PAYABLES

Note	Unaudited 30 September 2019	Audited 30 June 2019
	Amount in Rupees	
Preliminary expenses payable	522,410	522,410
Withholding taxes payable	178,904	-
Accrued expense	1,415,639	1,473,643
Payable to Arif Habib Limited - a related party	-	18,852,595
Sales tax payable	5,974,837	2,997,468
Others	30,997	19,762
	8,122,787	23,865,878

13.1 It includes Rs. 0.172 million (June 30, 2019 : Rs. 0.283 million) payable to Rotocast Engineering a related party of the Company.

13.2 This represent payable against payment made by M/s. Arif Habib Limited, on behalf of the Company, for purchasing units acquired of Dolmen City REIT scheme.

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2019.

15 OPERATING REVENUE - NET

Unaudited
30 September
2019

Unaudited
30 September
2018

Amount in Rupees

Management fee	26,181,648	24,945,146
Advisory service fee	-	5,085,000
	26,181,648	30,030,146
Sales tax	(3,012,048)	(3,454,796)
	<u>23,169,600</u>	<u>26,575,351</u>

16 ADMINISTRATIVE EXPENSES

Unaudited
30 September
2019

Unaudited
30 September
2018

Amount in Rupees

Salaries, allowances and benefits	9,226,591	6,358,839
Legal and professional	425,200	924,459
Communication	126,098	121,637
Traveling	577,667	56,475
Office maintenance expense	581,878	643,153
Printing and stationery	95,760	55,965
Insurance	194,364	144,134
Depreciation and amortisation	41,690	42,150
Auditors' remuneration	137,500	116,250
Others	690,465	546,427
Directors meeting fee	700,000	100,000
Training and membership expense	3,900	25,700
Rent expense	690,789	688,248
Professional tax	25,702	25,772
Donation	300,000	-
	<u>13,817,604</u>	<u>9,849,209</u>

17 TAXATION

Current tax	3,222,148	2,456,700
Deferred tax	(315,591)	4,962,665
	<u>2,906,557</u>	<u>7,419,365</u>

18 **TRANSACTIONS WITH RELATED PARTIES**

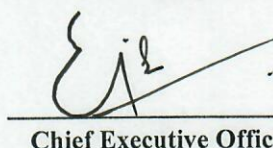
The related parties comprise of associated undertakings, sponsors, directors and key management personnel. Transaction with related parties are carried out by the company at agreed terms with related parties. Details of transaction carried out with related parties if not disclosed elsewhere in this condensed interim financial information is as follows:

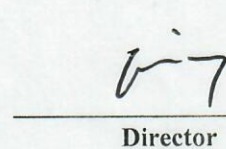
	Unaudited 30 September 2019	Unaudited 30 September 2018
	Amount in Rupees	
Transaction during the period:		
Rotocast Engineering Company (Private) Limited - (Associate company due to common directorship)		
Rent expense	690,789	688,248
Rent paid	1,381,578	688,248
Payment of common shared expenses	627,418	587,301
Common shared expenses	525,497	576,539
Administration charges	56,381	49,514
Payment of administration charges	65,811	50,255
Dolmen City REIT - (A scheme managed by Arif Habib Dolmen REIT Management Limited)		
Purchase of units	59,294,750	18,766,800
MCB Arif Habib Savings & Investment Limited - (Associate company due to common directorship)		
Employer's VPS contribution paid	623,284	425,619
Purchase of units	-	4,431
Receipt of dividend	-	5,213

19 This condensed interim financial information was authorised for issue in the Board of Directors meeting held on October 16, 2019.

20 Figures have been rounded off to the nearest Rupee unless otherwise stated.


Chief Financial Officer


Chief Executive Officer


Director