



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

# DOLMEN CITY REIT

## TODAY, **TOMORROW** TOGETHER

Half Yearly Report December 31, 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.

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## 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was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, which was subsequently repealed and replaced by REIT Regulations 2015.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 Mr. Abdus Samad A. Habib Mr. Nadeem Riaz Mr. Faisal Nadeem Mr. Asadullah Khawaja Mr. Qamar Hussain Ms. Tayyaba Rasheed Mr. Muhammad Ejaz	Chairman Director Director Director Director Independent Director Independent Director Chief Executive
Audit Committee	Mr. Qamar Hussain Mr. Abdus Samad A. Habib Mr. Asadullah Khawaja	Chairman Member Member
Human Resource & Remuneration Committee	Ms. Tayyaba Rasheed Mr. Abdus Samad A. Habib Mr. Faisal Nadeem Mr. Muhammad Ejaz	Chairperson Member Member 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.

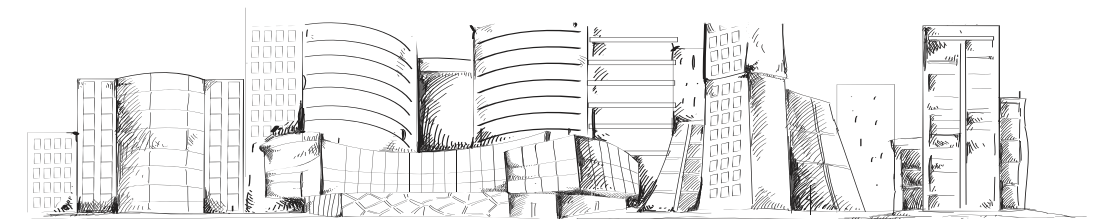
## MISSION

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



# 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 Directors' Review report of Dolmen City REIT (DCR), the Scheme, for the half year ended on December 31, 2018.

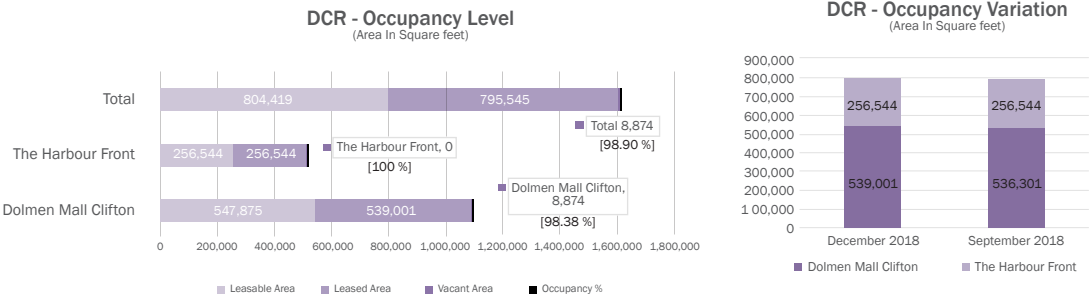
## Financial and Operational Performance

During the period under review, DCR recorded a rental income of PKR 1,613.21 million as compared to PKR 1,498.23 million in corresponding period showing an increase of 7.67%. Marketing income was recorded at PKR 86.78 million as compared to PKR 85.96 million in corresponding period showing an increase of 0.96%. Administrative and operating expenses during the period were 14.08% of rental income at PKR 227.15 million. Net Operating Income 'NOI' for the period was recorded at PKR 1,472.84 million as compared to PKR 1,347.53 million in corresponding period with an increase of

9.30%. Profit for the period was recorded at PKR 4,343.41 million, comprising of PKR 1.47 billion from operations and PKR 2.87 billion from change in fair value of investment property based on the valuation conducted by independent valuator MYK Associates (Private) Limited on December 31, 2018. The profit translates into earnings of PKR 1.95 per unit as against PKR 1.12 per unit in the corresponding period. The EPU comprises of distributable income of PKR 0.66 per unit and un-distributable unrealized fair value gain of PKR 1.29 per unit. The occupancy level of DCR's property is stable on an overall basis and stands at 98.9% by the end of December 2018 (compared with 98.6% at the end of September 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 8,874 square feet. During the quarter, some brands and companies such as Cotton & Cotton,

Golden Chick and Papa Roti have exited the tenancy pool while F.A.D, Swarovski, Baskin Robbins, Esquires Coffee and Marcel's amongst others have entered it. Tenants' satisfaction with the operations and property management at the premises is reflected in their long term agreements and eagerness to occupy further space on availability. As on December 31, 2018, the Weighted Average Lease Expiry 'WALE' based on the leasable area of Dolmen City Mall (68% of the total area) is around 3.36 years and of the Harbour Front (32% of the total area) is around 3.52 years (DCR's current average lease expiry is 3.41 years).

Occupancy level in Dolmen Mall Clifton and Harbour Front at the end of half year is as follows:



## Marketing Activities

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

Month	Monthly Footfall	Daily Average
Oct-18	784,825	25,317
Nov-18	783,303	26,110
Dec-18	924,672	29,828

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.



### Dolmen Gets Fit

Dolmen Gets Fit is a Fitness and Health based event held during Oct 17<sup>th</sup> to 21<sup>st</sup> 2018, which aims to promote the significance of being fit and healthy. The theme of the event was chosen keeping in mind the changing fabric of society where youth as well as adults are now more sensitive about their fitness and health.

All major retailers and brand partners announced special promotions for this event hence allowing for greater engagement with customers.

### Beauty Festival

During 1st to 4th November, Beauty Festival was held which was based on the theme of makeup and beauty aiming to provide a platform for cosmetic brands to promote themselves. The theme of the event was chosen keeping in mind the changing fabric of society where youth as well as adults are now more sensitive about their appearance.

All major retailers and brand partners announced special promotions for this event hence allowing for greater engagement with customers.

### Children's Day

20th November marks the occasion of Universe Children's Day where we observe the importance of children around the world as issues related to them are brought to the fore.

### Dolmen Shopping Festival

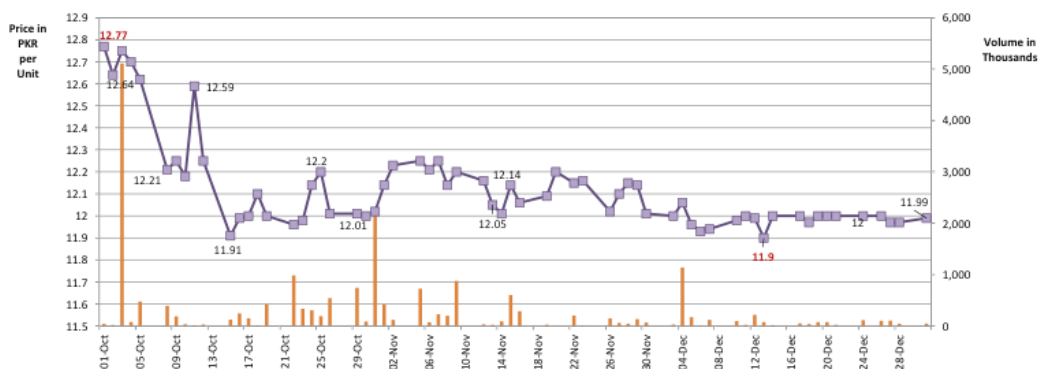
Shopping, in the recent years has become an event. Taking a leaf out of the Major Malls of the world and continuing with our own tradition, the Dolmen Shopping Festival has been one of the most anticipated shopping events of the year with larger than life installations highlighting the best that the city has to offer with phenomenal deals, exclusive gifts, exciting events, and a lively gala of endless shopping.

### Stocks Performance

During the quarter under review, 'DCR' traded at an average unit price of PKR 12.12 on the stock exchange and touched a high of PKR 12.77 and a low of PKR 11.90 per unit. In the same period KSE100 index moved in the range between 42,004.09 to 36,663.38. In a volatile market, the unit 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 0.43 (which is a measure of the degree to which returns on low 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.

### Stock Market performance of DCR Unit

October 2018 to December 2018



The Net Asset Value 'NAV' per Unit of DCR is PKR 20.32 at the quarter ended on December 31, 2018 which was PKR 18.44 at the end of the corresponding period last year i.e. December 31, 2017). DCR on its closing Unit price of PKR 11.99 traded at a discount of 40.99% to its NAV on December 31, 2018.

### Dividend Distribution

The board of directors have declared and approved an interim cash dividend for the quarter ended on December 31, 2018 equivalent to PKR 0.33 per unit. Together with the earlier dividend paid of PKR 0.33 per unit in the last quarter; 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 8 February 2019.

### **Business Environment**

The business environment surrounding Dolmen City remains stable. SECP has promulgated favorable amendments in the Regulations governing REITs in December 2018 such as allowing REITs to borrow. This is likely to provide impetus for the growth and enhance REIT's attractiveness. However, it is pivotal that the taxation regime encompassing REITs and real estate sector are made supportive and consistent in the longer term. The taxation regime for REITs applicable in the province of Sindh, for example, should be extended throughout the country.

The introduction of new, quality malls in the country is creating a healthy competition bringing with it benefits of several international brands eyeing Pakistan as their next destination. With professional property management, long lease 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 second 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. 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. 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, Internal / External Auditors 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  
January 18, 2019

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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Email: [info@cdcpak.com](mailto:info@cdcpak.com)



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

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

We Central Depository Company of Pakistan Limited, being the Trustee of Dolmen City REIT (the Fund) are of the opinion that Arif Habib Dolmen REIT Management Limited, being the Management Company of the Fund has materially complied with the Business Plan during the period ended December 31, 2018.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 19, 2019

نحمده و نصلى على رسوله الكريم

### **Bi-Annual Shariah Review Report**

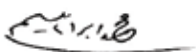
Dolmen City REIT is a Shariah Compliant REIT launched in the month of June 2015. The structure of Dolmen CITY REIT is based on Shirkah and Ijarah. According to the structure, all Unit Holders are co-owners of the Project (Harbor Front and Dolmen Mall) and they will receive the dividends based on the income from rentals. Shirkah and Ijarah both are Shariah compliant products.

In the capacity of Shariah Advisor, we reviewed the transactions conducted under Dolmen City REIT. The main source of REIT income is the rentals that it receive from its valuable clients.

In our opinion, the business affairs of Dolmen City REIT have been generally carried out in accordance with rules and regulations of Shariah, therefore we confirm that the income generated under this REIT is HALAL AND SHARIAH COMPLIANT.

We are thankful to the Directors and management of Arif Habib Dolmen REIT management company, the trustee, property manager and other stake holders in providing full support and cooperation to make this transaction Shariah compliant and my special thanks to all Unit Holders who invested in this REIT and showed full trust on the this Project.

In the end; we would like to take this opportunity to express my wishes for further progress, development, and prosperity of Dolmen City REIT.



**For and on behalf of**

**Alhamd Shariah Advisory Services Private Limited**

**MUFTI MUHAMMAD IBRAHIM ESSA**

**Shariah Advisor -Dolmen City REIT**

**Date: January 9, 2019**

## موضوع: ششماہی شرعی جائزہ رپورٹ

ڈولمین سٹی REIT ایک شریعہ کمپلائٹ REIT ہے، جو جون 2015 میں شروع ہوئی۔ ڈولمین REIT کی بنیاد شرکت اور اجارہ پر ہے، جس کے مطابق، تمام یونٹ ہولڈرز، پراجیکٹ (ہاربر فرنٹ اور ڈولمین مال) کے شرکاء ہیں اور حاصل ہونے والا کرایہ ان شرکاء کے درمیان تقسیم کیا جاتا ہے۔ شرکت اور اجارہ دونوں شریعت کے مطابق ہیں۔ ہم نے ڈولمین سٹی REIT کے معاملات کا شرعی نقطہ نگاہ سے جائزہ لیا REIT کی آمدنی کا بنیادی ذریعہ کرایہ ہے، جو مختلف کرایہ داروں سے حاصل ہوتا ہے۔

ہماری رائے میں، ڈولمین سٹی REIT کے کاروباری معاملات شرعی قواعد و ضوابط کے مطابق انجام دیے گئے ہیں، لہذا ہم اس بات کی تصدیق کرتے ہیں کہ اس REIT کی آمدنی حلال اور شریعت کے مطابق ہے۔

ہم ان تمام معاملات کو شریعت کے مطابق رکھنے میں، عارف حبیب ڈولمین REIT مینجمنٹ کمپنی، ٹرسٹیز، پراپرٹی مینجر اور دیگر اسٹیک ہولڈرز کی حمایت اور تعاون کا شکریہ ادا کرتے ہیں، ساتھ ہی ساتھ ان یونٹ ہولڈرز کا بھی خاص طور پر شکریہ ادا کرتے ہیں جنہوں نے اس REIT پر اعتماد کیا اور اس میں سرمایہ کاری کی۔ آخر میں ہم ڈولمین سٹی REIT کی مزید ترقی اور خوشحالی کے لئے اپنی نیک خواہشات کا اظہار کرتے ہیں۔

بسم اللہ الرحمن الرحیم

مفتی محمد ابراہیم عیسیٰ

C.E.O الحمد شریعہ ایڈوائزری سروسز (پرائیوٹ) لمیٹڈ

شرعی مشیر: ڈولمین سٹی REIT مینجمنٹ



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNIT HOLDERS OF DOLMEN CITY REIT (THE SCHEME)**

### **Report on review of interim financial statements**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Dolmen City REIT** ("the Scheme") as at December 31, 2018, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in unit holders' fund and notes to the financial statements (here-in-after referred to as the 'interim financial statements') for the six months period ended December 31, 2018. REIT Management Company is responsible for the preparation and presentation of this condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2018.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the six months period ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is *Nadeem Yousuf Adil*.



**Chartered Accountants**

**Place:** Karachi

**Date:** January 18, 2019

Member of  
**Deloitte Touche Tohmatsu Limited**



CONDENSED INTERIM  
FINANCIAL INFORMATION FOR  
FOR THE SIX MONTHS PERIOD  
AND QUARTER ENDED  
DECEMBER 31, 2018



# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	Unaudited December 31, 2018	Audited June 30, 2018
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non - current assets</b>			
<b>Total non - current assets</b> - Investment property	6	43,991,039	41,119,132
<b>CURRENT ASSETS</b>			
Rent receivables	7	109,683	128,048
Advances, prepayments and other receivables	8	283,911	264,541
Profit accrued		9,111	6,509
Bank balances	9	1,511,170	1,479,790
<b>Total current assets</b>		1,913,875	1,878,888
<b>Total assets</b>		45,904,914	42,998,020
<b>REPRESENTED BY:</b>			
<b>Unit holders' fund</b>			
Issued, subscribed and paid up (2,223,700,000 units of Rs. 10 each)		22,237,000	22,237,000
<b>Reserves</b>		22,937,656	19,995,181
<b>Total unit holders' fund</b>		45,174,656	42,232,181
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Formation costs payable to REIT management company		-	50,339
Security deposits		197,685	163,950
<b>Total non - current liabilities</b>		197,685	214,289
<b>CURRENT LIABILITIES</b>			
Payable to REIT management company	10	77,010	81,692
Security deposits		119,555	135,829
Accrued expenses and other liabilities	11	319,213	317,225
Unclaimed dividend		16,795	16,804
<b>Total current liabilities</b>		532,573	551,550
<b>Total unit holders' fund and liabilities</b>		45,904,914	42,998,020
(Rupees)			
<b>Net assets value per unit</b>		20.32	18.99

## CONTINGENCIES AND COMMITMENTS

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



Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

	Note	Six months period ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in '000)					
Income					
Rental income		1,613,208	1,498,233	814,444	747,242
Marketing income		86,783	85,958	44,621	49,094
		1,699,991	1,584,191	859,065	796,336
Administrative and operating expenses	13	(227,154)	(236,664)	(122,073)	(121,008)
Net operating income		1,472,837	1,347,527	736,992	675,328
Other income - profit on deposits		56,912	69,173	32,526	21,182
		1,529,749	1,416,700	769,518	696,510
Management fee	10.1	(44,185)	(40,426)	(22,110)	(20,260)
Sindh Sales Tax on management fee	10.1	(5,744)	(5,255)	(2,874)	(2,633)
Trustee remuneration	11.1	(7,364)	(6,738)	(3,685)	(3,377)
Sindh Sales Tax on trustee remuneration	11.1	(957)	(876)	(479)	(439)
		(58,250)	(53,295)	(29,148)	(26,709)
Profit before change in fair value of investment property		1,471,499	1,363,405	740,370	669,801
Change in fair value of investment property	6	2,871,907	1,127,354	2,871,907	1,127,354
Profit before taxation		4,343,406	2,490,759	3,612,277	1,797,155
Taxation	14	-	-	-	-
Profit after taxation for the period		4,343,406	2,490,759	3,612,277	1,797,155
----- (Rupees) -----					
Earnings per unit - Distributable income		0.66	0.61	0.33	0.30
Earnings per unit - Undistributable unrealised fair value gains		1.29	0.51	1.29	0.51
Earnings per unit - Basic and diluted	16	1.95	1.12	1.62	0.81

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



Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

	Six months period ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in '000)				
Profit after taxation for the period	4,343,406	2,490,759	3,612,277	1,797,155
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,343,406	2,490,759	3,612,277	1,797,155

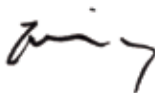
The annexed notes from 1 to 19 form an integral part of the condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Six months period ended	
	December 31, 2018	December 31, 2017
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>4,343,406</b>	2,490,759
Adjustments for:		
Change in fair value of investment property / unrealised gain	<b>(2,871,907)</b>	(1,127,354)
Profit on deposits	<b>(56,912)</b>	(69,173)
	<b>1,414,587</b>	1,294,232
<b>Working capital changes</b>		
Decrease / (increase) in current assets		
- Rent receivables	<b>18,365</b>	(7,939)
- Advances, prepayments and other receivables	<b>(16,647)</b>	(15,313)
(Decrease) / increase in current liabilities		
- Payable to the REIT management company	<b>(105)</b>	966
- Security deposits received- net	<b>17,461</b>	45,417
- Accrued expenses and other liabilities	<b>1,988</b>	45,523
- Unclaimed dividend	<b>-</b>	25,773
<b>Cash generated from operations</b>	<b>1,435,649</b>	1,388,659
Taxes paid (withheld at source)	<b>(2,723)</b>	(1,924)
Formation costs paid - net	<b>(54,916)</b>	(54,916)
<b>Net cash generated from operations</b>	<b>1,378,010</b>	1,331,819
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash generated from investing activities - Profit on deposits received</b>	<b>54,310</b>	87,595
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash used in financing activities - Dividend paid</b>	<b>(1,400,940)</b>	(3,224,365)
Net increase / (decrease) in cash and cash equivalents during the period	<b>31,380</b>	(1,804,951)
Cash and cash equivalents at beginning of the period	<b>1,479,790</b>	3,185,531
Cash and cash equivalents at end of the period	<b>1,511,170</b>	1,380,580

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



Chief Financial Officer



Chief Executive Officer



Director

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Units	Reserves			Unit holders' fund	
		Capital Reserves		Revenue Reserves		Total
		Premium on issue of units - net	Fair Value Reserve	Unappropriated profit		
----- (Rupees in '000) -----						
Balance as at June 30, 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 June 30, 2017 (Rs. 1.15 per unit)	-	-	-	(2,557,255)	(2,557,255)	(2,557,255)
Cash dividend for the period ended September 30, 2017 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
	-	-	-	(3,224,365)	(3,224,365)	(3,224,365)
Total comprehensive income for the period - profit for the period	-	-	1,127,354	1,363,405	2,490,759	2,490,759
Balance as at December 31, 2017	22,237,000	281,346	17,730,318	753,228	18,764,892	41,001,892
Balance as at June 30, 2018	22,237,000	281,346	18,882,132	831,703	19,995,181	42,232,181
Transactions with owners						
Cash dividend for the year ended June 30, 2018 (Rs. 0.30 per unit)	-	-	-	(667,110)	(667,110)	(667,110)
Cash dividend for the period ended September 30, 2018 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)
	-	-	-	(1,400,931)	(1,400,931)	(1,400,931)
Total comprehensive income for the period - profit for the period	-	-	2,871,907	1,471,499	4,343,406	4,343,406
Balance as at December 31, 2018	22,237,000	281,346	21,754,039	902,271	22,937,656	45,174,656

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



Chief Financial Officer



Chief Executive Officer



Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

## 1 STATUS AND NATURE OF BUSINESS

**1.1** Dolmen City REIT (the Scheme) was established under Trust Deed, dated January 20, 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 January 20, 2015 whereas approval of the registration of the REIT Scheme has been granted by the SECP on May 29, 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 December 31, 2018 including but not limited to deposits and placements with banks, rental and marketing income earned were all in accordance with principals of Shariah.

**1.2** The Scheme is the subsidiary of International Complex Projects Limited (ICPL). As at December 31, 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 statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of

- International Accounting Standard 34 "Interim Financial Reporting" (IAS - 34)
- Provisions of and directives issued under the Companies Act, 2017 and Part VIIIA of the repealed Companies Ordinance, 1984; and
- The Real Estate Investment Trust Regulations 2015 (the REIT Regulations) and requirements of the 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 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 statements 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 June 30, 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.

This condensed interim financial statements 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.

### 2.2 Basis of measurement

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2018 except for certain accounting and reporting standards which became effective for annual period beginning on or after July 01, 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 July 01, 2018 however the new accounting and reporting standards or amendments to existing accounting and reporting standards or interpretations are either not relevant or do not having significant impact on this condensed interim financial statements.

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial statements 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 statements, 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 June 30, 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 June 30, 2018.

## 6 INVESTMENT PROPERTY

		Unaudited December 31, 2018	Audited June 30, 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		2,871,907	2,279,168
Carrying amount at end of the period	6.1	43,991,039	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.

The investment property has been valued by MYK Associates (Private) Limited ('MYK' or 'the Valuer') as at December 31, 2018 and June 30, 2018. 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 valuations are summarised below:



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

	December 31, 2018	June 30, 2018
	(Rupees in million)	
<b>Cost approach</b>	<b>21,880</b>	21,632
<b>Sales comparison approach</b>	<b>60,181</b>	59,712
<b>Income capitalization approach</b>		
(a) Valuer's assessment of rental income – using 7% capitalization rate	<b>44,037</b>	43,729
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area – using 7% capitalization rate	<b>43,991</b>	41,119

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 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 condensed interim 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. 48,144.762 million (30 June 2018: Rs. 47,770.068 million).

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%	2,632,521
- Present revenue (based on existing leasing contracts)	- 5%	(2,632,521)
- Present operating costs (based on projected costs)	+ 5%	(432,969)
- Present operating costs (based on projected costs)	- 5%	432,969
- Capitalization rate	+ 1%	(5,498,880)
- Capitalization rate	- 1%	7,331,840

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

## 7 RENT RECEIVABLES

	Unaudited December 31, 2018	Audited June 30, 2018
	(Rupees in '000)	
<b>Unsecured</b>		
Considered good	109,683	128,048
Considered doubtful	25,669	25,669
	135,352	153,717
Less: Provision for doubtful balances	(25,669)	(25,669)
	109,683	128,048

## 8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

### Unsecured - Considered good

Security deposit	959	944
Prepayments	16,884	252
Advance tax	266,068	263,345
	283,911	264,541

### Considered doubtful - unsecured

	4,728	4,728
	288,639	269,269
Less: Provision for doubtful balances	(4,728)	(4,728)
	283,911	264,541

## 9 BANK BALANCES

		Unaudited December 31, 2018	Audited June 30, 2018
		(Rupees in '000)	
Term deposit receipts	9.1	1,340,000	1,310,000
Saving accounts	9.2	168,684	167,304
Current account		2,486	2,486
		1,511,170	1,479,790

**9.1** These represent term deposit receipts with Islamic banks and these carry expected profit rates ranging from 7.50% to 10.60% (June 30, 2018: 6.5%) per annum with maturities ranging from one to three months. 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 7.28% (June 30, 2018: 2.05% to 6.40%) per annum.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

10	PAYABLE TO REIT MANAGEMENT COMPANY		Unaudited December 31, 2018 (Rupees in '000)	Audited June 30, 2018
		Note		
	Management fee payable		22,110	22,203
	Sindh Sales Tax		4,561	4,573
		10.1	26,671	26,776
	Current portion of formation costs		50,339	54,916
			77,010	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 July 01, 2014. The current applicable rate is 13% being effective from July 01, 2016.

11	ACCRUED EXPENSES AND OTHER LIABILITIES		Unaudited December 31, 2018 (Rupees in '000)	Audited June 30, 2018
		Note		
	Trustee remuneration	11.1	8,322	15,668
	Provision for government levies		1,999	1,329
	Monitoring fee payable to SECP		11,118	22,237
	Payable to associated undertakings		29,951	41,488
	Unearned rental income		123,180	92,073
	Sales tax and withholding income tax		44,813	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		81,739	74,106
	Other liabilities		3,570	8,138
			319,213	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 July 01, 2015. The current applicable rate is 13% being effective from July 01, 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 order dated June 02, 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 July 01, 2011.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

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 June 30, 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 June 02, 2016, which is pending for decision. With effect from July 01, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by Finance Act, 2016. Therefore, the Scheme has discontinued making the provision in this regard. As a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million has been maintained in the Scheme's condensed interim financial statements.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018.

## 13 ADMINISTRATIVE AND OPERATING EXPENSES

	Six months period ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in '000)			
SECP Monitoring fee	11,118	11,119	5,559	5,560
Property management fee	112,668	104,618	59,795	56,570
Ancillary income collection fee	17,628	13,502	8,311	7,241
Common area maintenance charges	6,937	8,101	2,895	4,031
Legal and professional charges	2,679	1,522	1,686	789
Utility expenses	726	185	606	135
Marketing expenses	39,161	34,277	24,170	21,984
Takaful fee	8,570	11,951	4,285	5,975
Property and advertisement taxes	9,203	9,545	4,676	4,807
Auditors' remuneration	1,265	1,236	665	636
Renovation expense	14,780	36,524	7,546	11,953
Shariah advisory fee	110	110	55	55
Others	2,309	3,974	1,824	1,272
	227,154	236,664	122,073	121,008

## 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 June 30, 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 statements for the period ended December 31, 2018.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 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.

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 statements are as follows:

### 15.1 Transactions during the period:

	<b>Six months period ended</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Rupees in '000)</b>	
<b>International Complex Projects Limited - Holding Company</b>		
- Rental income	22,711	20,646
- Purchase of equipment for maintenance	944	979
- Payment against purchase of equipment for maintenance	824	-
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	6,937	8,101
- Expenses incurred on behalf of Scheme	742	162
- Reimbursement of expenses incurred on behalf of Scheme	429	193
<b>Associate due to common directorship:</b>		
<b>Retail Avenue (Private) Limited</b>		
- Rental income	4,374	3,977
<b>Sindbad Wonderland (Private) Limited</b>		
- Rental income	26,522	13,551
<b>Summit Bank Limited</b>		
- Rental income	17,656	15,801
<b>MCB - Arif Habib Savings and Investment Limited</b>		
- Marketing Income	356	-

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

## 15.2 Amounts outstanding as at period end

	Unaudited December 31, 2018	Audited June 30, 2018
	(Rupees in '000)	
<b>International Complex Projects Limited - Holding Company</b>		
- 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	3,907	3,787
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	4,701	18,527
- Expenses payable incurred on behalf of Scheme	689	375
<b>Associate due to common directorship :</b>		
<b>Retail Avenue (Private) Limited</b>		
- Rent receivable	66	66
<b>Sindbad Wonderland (Private) Limited</b>		
- Rent receivable	466	466
<b>Summit Bank Limited</b>		
- Rent receivable	1,150	1,136

## 16 EARNINGS PER UNIT - BASIC AND DILUTED

	Six months period ended		Quarter ended	
	December 31, December 31,		December 31, December 31,	
Note	2018	2017	2018	2017
	(Rupees in '000)			
Profit after taxation	4,343,406	2,490,759	3,612,277	1,797,155
	(Number of Units)			
Weighted average number of ordinary units during the period	2,223,700,000	2,223,700,000	2,223,700,000	2,223,700,000
	(Rupees)			
Earnings per unit - Basic and diluted	16.1 1.95	1.12	1.62	0.81

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD AND QUARTER ENDED DECEMBER 31, 2018

**16.1 Earnings per unit comprises as follows:**

Distributable income - earnings per unit	0.66	0.61	0.33	0.30
Undistributable unrealised fair value gains - earnings per unit	16.1.1 1.29	0.51	1.29	0.51
	1.95	1.12	1.62	0.81

**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.

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 REPORTING DATE**

The board of directors of the RMC in their meeting held on January 18, 2019 have declared and approved an interim cash dividend for the half year ended December 31, 2018 of Re. 0.33 per unit amounting to Rs 733.821 million. This condensed interim financial statements 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 statements was authorised for issue by the Board of Directors of the RMC on January 18, 2019.



Chief Financial Officer



Chief Executive Officer



Director