



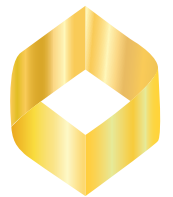
ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

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Dolmen City REIT

# Leading the Direction to **Growth**

Quarterly Report For The Period Ended  
30 September 2020



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED

Leading the  
Direction to  
**Growth**



ARIF HABIB DOLMEN  
REIT MANAGEMENT LIMITED



# About REITs

A Real Estate Investment Trust (REIT) is an entity that professionally manages a pool of money from individuals and institutions to buy developed properties for rent, or to develop real estate and sell or rent it. The proceeds from rent or sale of the property are distributed to the unit holders.

## REITs In Pakistan

REIT Regulatory Framework in Pakistan was introduced by Securities and Exchange Commission of Pakistan (SECP) in January 2008, subsequently replaced by REIT Regulations 2015 as amended in 2018. These regulations are comprehensive with the principal focus on the protection of investors' interests. A "REIT Scheme" is a listed, closed-end fund registered under Real Estate Investment Trust Regulations 2018. The three types of REIT schemes in Pakistan are:

**Developmental REIT:** A Developmental REIT Scheme invests in the development of real estate 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 component for rent and 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. Qamar Hussain	Independent Director
Mr. Naeem Ilyas	Independent Director
Ms. Tayyaba Rasheed	Independent Director
Mr. Abdus Samad A. Habib	Director
Mr. Faisal Nadeem	Director
Mr. Sajidullah Sheikh	Director
Mr. Muhammad Ejaz	Chief Executive Officer

## Audit Committee

Mr. Qamar Hussain	Chairman
Mr. Abdus Samad A. Habib	Member
Mr. Naeem Ilyas	Member

## Human Resource & Remuneration Committee

Ms. Tayyaba Rasheed	Chairperson
Mr. Abdus Samad A. Habib	Member
Mr. Faisal Nadeem	Member
Mr. Muhammad Ejaz	Member

## Other Executives

Mr. Zohaib Yaqoob	CFO & Company Secretary
Mr. Muneer Gader	Head of Internal Audit & Compliance

## Trustee

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

## Share Registrar

CDC Share Registrar Services 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  
Dubai Islamic Bank Pakistan Limited  
National Bank of Pakistan



## External Auditors

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., Mohtarma 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

Tristar International Consultant (Pvt.) Limited

## Shariah Advisor

Alhamd Shariah Advisory Services (Private) Limited

## Rating Agency

VIS Credit Rating Company Limited  
VIS House, 128/C, 25th Lane Off Khayaban-e-Ittehad,  
Phase VII, DHA, Karachi.

## Current Ratings

DCR Rating: AAA (rr) (REIT Rating)  
RMC Rating: AM2+ (RMC) (Management Quality Rating)

## Registered Office of Management Company

Arif Habib Centre, 23 M.T. Khan Road, Karachi.

# Vision

- "all eyes on you"

As Pakistan's first REIT, DCR aims to maintain its position as the premier office and retail Real Estate Investment Trust.

# Mission

- "challenge the status quo and try new things"

## Be a space where people aspire to work

Inspiring you to achieve more

## Be the place where people love to shop

Enhance the customer experience to maximize shopper loyalty

## To be the landlord of choice

Optimizing the tenancy mix through proactive leasing

# Delivering Value

- "security, stability, resilience"

Providing our unit holders with regular, stable distributions and sustainable long term growth.

# Directors' Review Report

Dear Unit holders of Dolmen City REIT

On behalf of the Board of Directors of Arif Habib Dolmen REIT Management Limited, we are pleased to present the Directors' Review report of Dolmen City REIT (DCR) - the Scheme, for the first quarter ended on September 30, 2020 of financial year 2020-21.

## Overview

FY2021 is predicted to be a challenging year for consumer sentiments and, resultantly, for the economy owing to the ongoing COVID-19 pandemic. By prudently implementing robust measures, Pakistan has effectively controlled infection cases and has catalysed economic recovery.

DCR continues to deliver strong results. DCR's performance, property management and its close relationship with tenants is evident through maintenance of AAA (rr) – rating (highest investment quality and highest degree of stability in NAV) by the Rating agency and Shariah compliance certification by the Shariah advisor.

## Response to the Outbreak of Covid-19

The spread of Coronavirus across the globe caused disruptions to all businesses and economic activity. In Pakistan also the retail sector faced an unprecedented challenge with lock-down imposed in all places of business. The mall management responded by intensifying customer engagement through digital platforms to encourage footfall and retail sales upon reopening with the implementation of prescribed customer safety protocols.

Efforts were also intensified to strengthen our valuable, long term tenant relationships by proactively negotiating contracts to support tenant retention in these challenging times. Tenants at both the Dolmen City Mall and the Harbour front office building were provided with rental waivers from month to month after carefully assessing the overall situation. Rental waivers provided to tenants of the Mall and Harbour Front during the period July to September 2020 are as follows:

Month	Dolmen Mall Clifton	The Harbor Front
July	45%	40%
August	25%	25%
September	15%	0%

## Note:

- The above discount will not apply to operational tenants who are providing essential services.
- Discount to food outlets and entertainment areas vary based on the resumption of their businesses in line with the directions of the government.

## Financial Performance

During the period under review, DCR recorded rental income of **PKR 602.78 million** as compared to PKR 847.391 million in the corresponding period last year, a decrease of 29%, which, is a result of rental waivers as stated above. Marketing income was recorded at PKR 16.9 million as compared to PKR 42.2 million. Administrative and operating expenses during the period were 16.61% of rental income at PKR 100.1 million. Net Operating Income 'NOI' for the period was recorded at PKR 519.62 million as compared to PKR 772.32 million in the corresponding period with a decrease of 33%. Profit on deposits for the period were recorded at PKR 18.3 million as compared to PKR 54 million in the corresponding period.

Profit for the period was recorded at **PKR 554.12 million**, decreasing by **30%** from PKR 796.12 million in the corresponding period. DCR is a pass through entity for tax purposes and not liable to income tax provided it meets certain conditions. The profit translates into earnings of **PKR 0.249** per unit for the quarter, against **PKR 0.358** per unit in the corresponding period.

## Operational Performance

DCR's real estate has witnessed consistent occupancy levels since inception in 2015. Occupancy at the end of September 2020 was **90%** (June 30 2020: **96%**).

While rent waivers introduced by the management resulted in lower rental income we view this as an investment and look forward to more robust performance in the coming quarters. The payoff of this investment in tenant retention is being proven by a reduction in the percentage of monthly rent waivers and new tenants coming in including Broadway pizza, Miniso, Omega, Hina Mirza, Nakoosh among others. Tenancy strategy is focused on encouraging footfall and retail spending through selecting tenants that help each other increase sales by creating buyer synergy resulting in higher overall sales volumes from mall operation. Space for new tenants who create value for the overall tenancy mix based on consumer goods formats has been created by outgoing large tenants including Collectibles, Gun Smoke, Pie in the Sky, California Pizza, Mango Man, Object, Zaoq, Engro Corporation (4th Floor), Procter & Gamble Pakistan (Pvt.) Limited (Partial 12th Floor) and others. The overall impact in vacant area for the quarter is **25,533 square feet** with a number of potential well selected tenancies in the pipeline.

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

Lease Occupancy	Leasable Area	Leased Area September, 2020		Vacant Area	Occupancy%
		(in square feet)			
Dolmen Mall Clifton	547,924	500,283		47,641	91.3%
The Harbour Front	256,724	220,716		36,008	86%
<b>Total</b>	<b>804,648</b>	<b>720,999</b>		<b>83,649</b>	<b>90%</b>

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

Lease Occupancy	Leasable Area September, 2020	Leased Area June, 2020		Occupancy variations	Occupancy Variation%
		(in square feet)			
Dolmen Mall Clifton	500,283	504,038		(3,755)	(1%)
The Harbour Front	220,716	242,494		(21,778)	(9%)
<b>Total</b>	<b>720,999</b>	<b>746,532</b>		<b>(25,533)</b>	<b>(3.4%)</b>

## Marketing Activities

Marketing and branding activities together with resumption of public confidence amidst weakening pandemic, kept the Mall bustling with growing footfall during the period under review.

## Footfall for the Quarter ended September 30, 2020

Month	Daily Average	Month
July	11,047	342,461
August	14,199	440,160
September	24,545	646,336

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:

14th August celebrations have been a signature event for Dolmen Mall since its inception. However this year, due to COVID crisis, government restrictions and ensuring all the government SOP's, we limited the event. The plan was to give a patriotic feel to our visitors while adhering the SOP's. Many families won exciting prizes through Azaadi Draws, Snap & Win activity and enjoyed perfect Independence Day with Dolmen Malls.

## Sweet Life Celebrations – Sep, 2020:

It was a successful event that happened last year and therefore we decided to continue the celebrations. The event was planned to give a warm welcome to our visitors, especially kids back to mall after the Coronavirus lockdown. The event was built around the smiley's to enhance the mood of the visitors and create a wow factor to ignite customer excitement.

## Stock Performance

During the quarter under review, the stock of 'DCR' traded at an average unit price of **PKR 11.06** and touched a high of **PKR 11.41** and a low of **PKR 10.80** per unit. During the same period KSE100 index moved in the range between **34,889.41** to **42,647.35**. The stock of DCR remained stable with beta of **0.25** (which means for every **1** rupee change in the value of a share in the benchmark; DCR price would likely change by only **25** paisa, beta here represents low volatility and elasticity) and covariance with the market of only **0.15** (which is a measure of the degree to which returns on two risky assets move in tandem, indicate low positive correlation of DCR stock performance with the market performance).



The Net Asset Value 'NAV' per Unit of DCR is **PKR 23.11** at the quarter ended on September 30, 2020 and was **PKR 21.92** as at June 30, 2020). DCR on its closing Unit price of **PKR 10.80** on September 30, 2020 traded at a **discount of 53%** to its NAV.

## Dividend Distribution

The board of directors have declared and approved an interim cash dividend for the quarter ended September 30, 2020 at **PKR 0.25 per unit**. It will translate into annual dividend yield of **10%**. The said dividend will be entitled to those unit holders whose name will appear in the register of unit-holder on the on the close of business on November 11, 2020.

## Business Environment

Karachi is one of the fastest growing cities in Pakistan, as such the demand for commercial space; both office and retail has generally seen an upward trend. Events over the last year however have placed real estate demand under pressure with rising cost of doing business, interest rates, currency devaluation and uncertainty over real estate tax legislation. This was exacerbated by the economic slowdown caused by the onset of Coronavirus.

The supply of both office and retail space has remained slow with planned augmentation mostly stalled due to caveats introduced by Sindh High Court on land use conversion from residential designations to commercial. As such, developments are expected to proceed only on 'by birth' commercial properties. As such, we do not see competitive augmentation to supply during the upcoming fiscal year.

Financial institutions have been the major demand generators for office space and this demand has been channelled to dedicated, self-occupied developments such as Bank Al Habib purchasing the Centrepont (28 storeys office building). While these institutions represent a material office space occupier segment, we do not see this as having a bearing on the business performance of the DCR office component.

With potential addition to supply stalling in the planning and construction phases, DCR office and retail components are considered to be the best managed commercial real estate in the country and demand is expected to remain steady.

## Outlook

As the government eases restrictions on public developments – office and retail with the comprehensive prescribed SOPs in place, economic tightening is also seen to start easing up as businesses are given relief in terms of taxation and ease of operations. Several incentives are proposed and introduced to support the economy which we anticipate being translated to more demand for office space.

Retail has seen similar improvement with economic recovery, better currency performance and consumer spending improvements. Going forward, it is anticipated that the government may ease its monetary policy stance, making REIT's unit comparatively attractive.

With professional property management, long lease expiries, extensive marketing activities, a healthy tenant mix and strong landlord tenant relationships and support during Covid times, we remain confident that Dolmen City will remain the destination of choice for shoppers, retail operators and corporations alike.

Going forward, rental escalations would be the prime revenue driver with the mall at optimal occupancy. By international standards, maximum occupancy of a mall is considered to be around 90% of the leasable area as tenancy is fluid and an element of vacancy is imperative to accommodate new tenants.

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

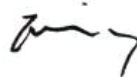
## Acknowledgement

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  
October 16, 2020

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**  
CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahr-e-Faisal  
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Fax: (92-21) 34326021 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com

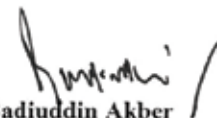


## TRUSTEE REPORT TO THE UNIT HOLDERS DOLMEN CITY REIT

### 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, 2020.

We would like to draw the attention of the unit holders towards the note # 20 of the financial statements wherein the Management Company has mentioned the loss of revenue to an amount of Rs. 259 Million during this quarter due to rental waivers granted by the Management Company to provide cash flow support to the tenants partners of Harbor Front and Dolman Mall Clifton in the wake of COVID-19, as their business were severely affected by the forced closure of the Mall and strict implementation of standard operating procedures when Mall was allowed to open as per the directives of provincial government through notifications.



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

Karachi: October 22, 2020



Condensed Interim  
Financial Statements For The  
Three Months Period Ended  
30 September 2020

38992.44

+ 3542.55  
+ 1352.14  
+ 2100.36  
+ 854.94

31142.45

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21

+ 1312.25  
+ 954.36  
+ 874.48  
+ 689.45

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54

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+ 2008.6

+ 1204.2

+ 1445.69

14092.6

428

640

124

11

30580



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2020

	Note	Unaudited 30 September 2020 (Rupees in '000)	Audited 30 June 2020
<b>ASSETS</b>			
<b>Non - current assets</b>			
<b>Total non - current assets</b> - Investment property	6	50,413,476	50,413,476
<b>Current assets</b>			
Rent receivables	7	207,321	213,987
Short term deposit, prepayments and other assets	8	227,526	282,859
Profit accrued		6,132	10,736
Short-term Investment	9	-	766,000
Bank balances	10	1,187,597	347,362
<b>Total current assets</b>		1,628,576	1,620,944
<b>Total assets</b>		52,042,052	52,034,420
<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>		29,154,761	29,045,373
<b>Total unit holders' fund</b>		51,391,761	51,282,373
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Security deposits		214,054	204,398
<b>Total non - current liabilities</b>		214,054	204,398
<b>Current liabilities</b>			
Payable to REIT management company	11	19,302	8,339
Security deposits		192,564	198,348
Accrued expenses and other liabilities	12	212,323	325,759
Unclaimed dividend		12,048	15,203
<b>Total current liabilities</b>		436,237	547,649
<b>Total unit holders' fund and liabilities</b>		52,042,052	52,034,420
		(Rupees)	
<b>Net assets value per unit</b>		23.11	23.06

**CONTINGENCIES AND COMMITMENTS**

13

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.



Chief Financial  
Officer



Chief Executive  
Officer



Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	Note	30 September 2020 (Rupees in '000)	30 September 2019
<b>INCOME</b>			
Rental income		602,781	847,391
Marketing income		16,943	42,299
		619,724	889,690
Administrative and operating expenses	14	(100,101)	(117,370)
<b>Net operating income</b>		519,623	772,320
Other income	15	55,057	54,349
		574,680	826,669
Management fee	11.1	(15,589)	(23,170)
Sindh sales tax on management fee	11.1	(2,027)	(3,012)
Trustee remuneration	12.1	(2,598)	(3,862)
Sindh sales tax on trustee remuneration	12.1	(338)	(502)
		(20,552)	(30,546)
<b>Profit before taxation</b>		554,128	796,123
Taxation	16	-	-
<b>Profit after taxation</b>		554,128	796,123
		(Rupees)	
Earnings per unit - Distributable income		0.2492	0.3580
Earnings per unit - Undistributable Income/Unrealised fair value gains		-	-
<b>Earnings per unit - Basic and diluted</b>	18	0.2492	0.3580

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.



Chief Financial  
Officer



Chief Executive  
Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	30 September 2020	30 September 2019
	(Rupees in '000)	
Profit after taxation for the period	554,128	796,123
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>554,128</b>	<b>796,123</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	30 September 2020	30 September 2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>554,128</b>	796,123
Adjustments for:		
Profit on deposits	<b>(18,308)</b>	(54,349)
	<b>535,820</b>	741,774
<b>Working capital changes</b>		
(Increase) / decrease in current assets		
- Rent receivables	<b>6,666</b>	(48,599)
- Short term deposit, prepayments and other assets	<b>(7,790)</b>	(10,197)
Increase / (decrease) in current liabilities		
- Payable to the REIT management company	<b>10,963</b>	708
- Accrued expenses and other liabilities	<b>(113,436)</b>	4,224
- Unclaimed dividend	<b>(3,155)</b>	858
<b>Cash generated from operations</b>	<b>429,068</b>	688,768
Tax refund / (tax withheld at source)	<b>63,123</b>	(567)
Formation costs paid - net	-	(50,339)
Security deposits received- net	<b>3,872</b>	2,626
<b>Net cash generated from operations</b>	<b>496,063</b>	640,488
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash generated from investing activities - Profit on deposits received</b>	<b>22,912</b>	40,146
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash used in financing activities - Dividend paid</b>	<b>(444,740)</b>	(733,821)
Net increase / (decrease) in cash and cash equivalents during the period	<b>74,235</b>	(53,187)
Cash and cash equivalents at beginning of the period	<b>1,113,362</b>	1,619,355
Cash and cash equivalents at end of the period	<b>1,187,597</b>	1,566,168

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.



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 2020

	Units	Reserves			Total Reserves	Unit holders' fund
		Capital Reserves		Revenue Reserves		
		Premium on issue of units - net	Fair Value Reserve Note 18.1.1	Unappropriated profit		
		(Rupees in '000)				
<b>Balance as at 30 June 2019</b>	22,237,000	281,346	22,717,466	997,384	23,996,196	46,233,196
<b>Transactions with owners</b>						
Cash dividend for the year ended 30 June 2019 (Rs. 0.33 per unit)	-	-	-	(733,821)	(733,821)	(733,821)
<b>Total comprehensive income for the period - profit for the period</b>						
	-	-	-	796,123	796,123	796,123
<b>Balance as at 30 September 2019</b>	22,237,000	281,346	22,717,466	1,059,686	24,058,498	46,295,498
<b>Balance as at 30 June 2020</b>	<b>22,237,000</b>	<b>281,346</b>	<b>28,176,476</b>	<b>587,551</b>	<b>29,045,373</b>	<b>51,282,373</b>
<b>Transactions with owners</b>						
Cash dividend for the year ended 30 June 2020 (Rs. 0.20 per unit)	-	-	-	(444,740)	(444,740)	(444,740)
<b>Total comprehensive income for the period - profit for the period</b>						
	-	-	-	554,128	554,128	554,128
<b>Balance as at 30 September 2020</b>	<b>22,237,000</b>	<b>281,346</b>	<b>28,176,476</b>	<b>696,939</b>	<b>29,154,761</b>	<b>51,391,761</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

**1 STATUS AND NATURE OF BUSINESS**

**1.1** Dolmen City REIT (Scheme) was established under Trust Deed, dated 20 January 2015, executed between Arif Habib Dolmen REIT Management Limited (AHDRML), as the REIT Management Company (RMC) and Central Depository Company of Pakistan Limited (CDCPL), as the Trustee; and is governed under the Real Estate Investment Trust Regulations, 2015 (REIT Regulations, 2015), promulgated and amended from time to time by the Securities & Exchange Commission of Pakistan (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 "AAA(rr)" by 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 2020 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 2020, 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** These 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 VIII 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.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Scheme for the year ended 30 June 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Scheme.

The comparatives in the condensed interim statement of financial position as at 30 September 2020 have been extracted from the audited financial statements of the Scheme for the year ended 30 June 2020, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in unit holders' fund and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Scheme for the three months period ended 30 September 2020.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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These condensed interim financial statements are being submitted to the unit holders as required by the listing regulations of Pakistan Stock Exchange Limited vide section 237 of the Companies Act, 2017.

**2.2 Basis of measurement**

These condensed interim financial statements have been prepared on the basis of 'historical cost convention' except investment property which is stated at fair value.

**2.3 Functional and presentation currency**

These condensed interim financial statements have been presented in Pakistan Rupees which is the Scheme's functional and presentation currency and have been rounded off to the nearest thousand except otherwise stated.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2020 except for certain accounting and reporting standards which became effective for annual period beginning on or after 01 July 2020. 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 2020 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 these condensed interim financial statements.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these 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 30 June 2020.

**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 2020.

**6 INVESTMENT PROPERTY**

	Note	Unaudited 30 September 2020 (Rupees in '000)	Audited 30 June 2020
Carrying amount at beginning of the period		50,413,476	44,954,466
Add: Change in fair value of investment property			
- unrealised gain		-	5,459,010
Carrying amount at end of the period	6.1	50,413,476	50,413,476

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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**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) 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 Tristar International Consultant (Private) Limited ('the Valuer') as at 30 June 2020. However, MYK Associates had valued the investment property as at 31 December 2019. 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:

	30 June 2020 (Rupees in million)	31 December 2019
<b>Cost approach</b>	29,953	28,103
<b>Sales comparison approach</b>	63,152	66,476
<b>Income capitalization approach - using capitalization rate of 6% (31 December 2019: 7%)</b>		
(a) Valuer's assessment of rental income	53,719	48,923
(b) On projected Net Operating Income (NOI) based on existing rental agreements and expected rent for the vacant area	50,413	47,372

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. Tristar International in its valuation report has stated that out of three approaches identified in REIT Regulations, 2015 "Income Capitalization Approach" is the most appropriate approach used for income producing properties i.e. rental properties. Tristar International has determined two values under Income Capitalization Approach as stated above, however recommended that the valuation on 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 using 6% capitalisation rate on projected NOI based on the existing rental agreements and expected rent for the vacant area

The forced sales value of the investment property is assessed to be Rs. 50,521.547 million (31 December 2019: Rs. 53,180.576 million).

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

**Sensitivity analysis**

Change in each of the below significant unobservable input would have effect on fair value of investee properties as shown below. The analysis assumes that all other variables remain constant and is performed on the same basis as for 2019.

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	June 30, 2020	
	Change in input	Effect on fair value (Rupees in '000)
- Projected income (based on existing leasing contracts)	+ 5%	2,954,691
- Projected income (based on existing leasing contracts)	- 5%	(2,954,691)
- Projected operating costs	+ 5%	(434,017)
- Projected operating costs	- 5%	434,017
- Capitalization rate	+ 1%	(7,201,925)
- Capitalization rate	- 1%	10,082,695
December 31, 2019		
	Change in input	Effect on fair value (Rupees in '000)
- Projected income (based on existing leasing contracts)	+ 5%	2,803,338
- Projected income (based on existing leasing contracts)	- 5%	(2,803,338)
- Projected operating costs	+ 5%	434,731
- Projected operating costs	- 5%	(434,731)
- Capitalization rate	+ 1%	(5,921,517)
- Capitalization rate	- 1%	7,895,356
7 RENT RECEIVABLES - Unsecured	Unaudited 30 September 2020	Audited 30 June 2020
	(Rupees in '000)	
Rent receivables	248,474	255,142
Less: Allowance	(41,153)	(41,155)
	<u>207,321</u>	<u>213,987</u>
8 SHORT TERM DEPOSIT, PREPAYMENTS AND OTHER ASSETS		
<b>Unsecured - Considered good</b>		
Security deposit	959	959
Prepayments	23,253	15,463
Advance tax	203,314	266,437
	<u>227,526</u>	<u>282,859</u>
<b>Considered doubtful - unsecured</b>	4,728	4,728
	<u>232,254</u>	<u>287,587</u>
Less: Provision for doubtful balances	(4,728)	(4,728)
	<u>227,526</u>	<u>282,859</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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**9 SHORT-TERM INVESTMENTS**

These represent term deposit receipts with Islamic banks and carry expected profit rate of 8.1% per annum as at June 30, 2020 with maturity of three months. This includes security deposits received by the Scheme from tenants.

10 BANK BALANCES	Note	Unaudited 30 September 2020	Audited 30 June 2020
(Rupees in '000)			
Saving accounts	10.1	1,187,597	347,362
Current account		-	-
		<u>1,187,597</u>	<u>347,362</u>

10.1 This represents deposits held in riba free saving accounts carrying expected profit rates ranging from 2.6% to 6.5% (30 June 2020: 2.85% to 7.58%) per annum.

11 PAYABLE TO REIT MANAGEMENT COMPANY	Note	Unaudited 30 September 2020	Audited 30 June 2020
(Rupees in '000)			
Management fee		15,590	5,887
Sindh sales tax		3,712	2,452
	11.1	<u>19,302</u>	<u>8,339</u>

11.1 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 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 tax rate is 13% being effective from 1 July 2016.

12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	Unaudited 30 September 2020	Audited 30 June 2020
(Rupees in '000)			
Trustee remuneration	12.1	2,936	14,512
Provision for government levies		2,265	2,265
Monitoring fee payable to SECP		5,559	22,237
Payable to associated undertakings	12.2	32,099	30,401
Unearned rental income		64,954	93,948
Sales tax and withholding income tax		44,616	44,265
Federal Excise Duty	12.3	11,980	11,980
Shariah advisory fee		62	124
Accrued expenses		41,796	97,455
Other liabilities		6,056	8,572
		<u>212,323</u>	<u>325,759</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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**12.1** The Trustee is entitled to an annual remuneration for services rendered upto 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. 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.

	Unaudited 30 September 2020	Audited 30 June 2020
<b>12.2 Payable to Associated undertakings</b>		
	(Rupees in '000)	
- International Complex Projects Limited	1,819	1,819
- Dolmen Real Estate Management (Private) Limited Property Manager	30,280	28,582
	<b>32,099</b>	<b>30,401</b>

**12.3** 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 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 Supreme Court of Pakistan (SCP) against the SHC's decision dated 2 June 2016, which is pending for decision. With effect from 01 July 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by Finance Act, 2016. Therefore, the Scheme has discontinued making the provision in this regard. As a matter of abundant caution, without prejudice to the above, an accumulated provision of Rs. 11.980 million (2019: 11.980 million) has been maintained in the Scheme's Financial Statements.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 30 September 2020

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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	Unaudited 30 September 2020	Unaudited 30 September 2019
<b>14 ADMINISTRATIVE AND OPERATING EXPENSES</b>		
	(Rupees in '000)	
SECP Monitoring fee	5,559	5,559
Property management fee	38,707	55,520
Ancillary income collection fee	4,004	7,863
Common area maintenance charges	14,667	4,375
Legal and professional charges	11,923	2,200
Marketing expenses	5,201	14,071
Renovation expense	11,077	17,620
Shariah advisory fee	62	62
Utility expenses	206	205
Takaful fee	4,285	4,285
Property and advertisement taxes	3,119	4,567
Auditors' remuneration	651	600
Others	640	443
	<b>100,101</b>	<b>117,370</b>
<b>15 OTHER INCOME</b>		
Profit on deposit	18,308	54,349
Reversal of accrual of renovation and marketing expenses	36,749	-
	<b>55,057</b>	<b>54,349</b>
<b>16 TAXATION</b>		

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 2021 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 these condensed interim financial statements for the period ended 30 September 2020.

**17 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, Tristar International Consultant (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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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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 financial statements are as follows

17.1 Transactions during the period:	Unaudited 30 September 2020 (Rupees in '000)	Unaudited 30 September 2019
<b>International Complex Projects Limited - Holding Company</b>		
- Rental income	10,024	12,491
- Payment against purchase of equipment for maintenance	-	917
<b>Dolmen Real Estate Management (Private) Limited - Associate due to common directorship</b>		
- Common area maintenance charges	14,667	4,375
- Expenses incurred on behalf of Scheme	202	1,125
- Reversal of accrual	5	-
- Reimbursement of expenses incurred on behalf of Scheme	197	540
<b>Retail Avenue (Private) Limited - Associate due to common directorship</b>		
- Rental income	1,726	2,409
<b>Sindbad Wonderland (Private) Limited - Associate due to common directorship</b>		
- Rental income	5,460	17,517
<b>17.2 Amounts outstanding as at period end</b>		
	Unaudited 30 September 2020 (Rupees in '000)	Audited 30 June 2020
<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	80	80
<b>Dolmen Real Estate Management (Private) Limited - Property Manager</b>		
- Common area maintenance charges	10,334	17,348
- Expenses payable incurred on behalf of Scheme	1,649	1,649
- Payable of withheld security deposit of tenants	514	514
<b>Retail Avenue (Private) Limited - Associate due to common directorship</b>		
- Rent receivable	66	427
<b>Sindbad Wonderland (Private) Limited - Associate due to common directorship</b>		
- Rent receivable	466	466

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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18 EARNINGS PER UNIT - BASIC AND DILUTED	Note	Unaudited 30 September 2020 (Rupees in '000)	Unaudited 30 September 2019
Profit after taxation		554,128	796,123
		(Number of Unit)	
Weighted average number of ordinary units during the period		2,223,700,000	2,223,700,000
		(Rupees in '000)	
Earnings per unit - Basic and diluted	18.1	0.2492	0.3580
<b>18.1 Earnings per unit comprises as follows:</b>			
Distributable income - earnings per unit		0.2492	0.3580
Undistributable unrealised fair value gains - earnings per unit	18.1.1	-	-
		0.2492	0.3580

**18.1.1** 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.

**19 FAIR VALUES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in 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.

**Level 1** : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

**Level 2** : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair values 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

### 20 IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS

The spread of Coronavirus across the globe caused disruptions to all businesses and economic activity. In Pakistan, the retail sector faced an unprecedented challenge with smart lock-downs imposed in all places of business. The mall management responded by intensifying customer engagement through digital platforms to encourage footfall and retail sales upon reopening with the implementation of prescribed customer safety protocols.

Efforts were also intensified to strengthen our valuable, long term tenant relationships by proactively negotiating contracts to support tenant retention in these challenging times. Tenants at both the Dolmen City Mall and the Harbour Front office building were provided with rental waivers from month to month after carefully assessing the overall situation. Rental waivers provided to tenants of the Mall and Harbour Front during the period July to September 2020 are as follows:

Month	Dolmen Mall Clifton	The Harbour Front
July 2020	45%	40%
August 2020	25%	25%
September 2020	15%	0%

Impact of the rental waiver on the financial performance of the Scheme is as follows:

Month	Loss of revenue (Rupees in '000)
July 2020	133,207
August 2020	87,598
September 2020	38,294

### 21 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors of the RMC in their meeting held on 16 October 2020 have declared and approved an interim cash dividend for the quarter ended 30 September 2020 of Re. 0.25 per unit amounting to Rs 555.925 million. These 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.

### 22 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the RMC on 16 October 2020.



Chief Financial  
Officer



Chief Executive  
Officer



Director