# Arif Habib Dolmen REIT Management Limited

Financial Statements for the year ended **June 30, 2018**

# Arif Habib Dolmen REIT Management Limited
## Directors' Report
## For the Year Ended 30th June 2018

The Board of Directors of Arif Habib Dolmen REIT Management Limited (RMC) are pleased to present the Financial Statements of the Company for the year ended on 30th June 2018.

**Operational and Financial Results**

The RMC has completed another year of operations where Dolmen City REIT remained the backbone of RMC's income. The Scheme's profit over the year has shown a growth of 33.49% amounting to PKR 5,055.27 million as compared to PKR 3,787.12 million during the same period last year.

With the increase in profitability of the Scheme, the RMC earned a management fee amounting to **PKR 83.19** million (30 June 2017: 77.46 million). The administrative expenses of the RMC for the period were PKR 46.64 million (30 June 2017: PKR 47.43 million) which resulted in gross profit for the period amounting to **PKR 39.55 million** (30 June 2017: PKR 30.02 million). The finance cost for the period amounted to PKR 59.73 million (30 June 2017: PKR 74.16 million). Loss on disposal of security amounted to PKR 93.10 million. As a result the loss after tax for the period amounted to PKR 136.28 million as compared to profit after tax for the corresponding period amounting to PKR 19.57 million. The profit in the corresponding period and loss in the current period is on account of loss incurred on disposal of security and also that in corresponding period dividend income amounting to PKR 115.64 million which during the current period is Nil due to divestment.

During March 2018, your company received appreciation from the Global Forum on Islamic Finance, organized by Center of Islamic Finance-Comsats Lahore, for introducing Shariah compliant REITs in Pakistan and bringing real estate asset class within the reach of small savers. The Forum, as part of their annual Islamic Finance Excellence Award distribution, bestowed Dolmen City REIT with 'Best Islamic REIT in the region' award, in recognition of its outstanding performance since inception.

**Future outlook**

Like in every past year, we persevere in our effort to propose favorable changes in the taxation regime for REITs in the relevant sections of government. Recently promulgated Finance Act 2018 has positively touched upon the taxation regime for REITs, however, it did not unfortunately implement our critical proposal points. As an example, exuberant dividend taxation on companies investing in REITs (previously 25%; was reduced to 15%) whereas we proposed investment in REIT units be treated as investment in Stock Fund, dividend income from which is taxed at 12.5% – (under Division III of the First Schedule, Part-I of the Income Tax Ordinance 2001 'ITO').

REITs are an important investment vehicle for the documentation of real estate sector and deepening of capital markets, therefore it is vital that REITs are supported at all levels. As of now, REITs are at a severe disadvantage in comparison to all other organizational forms such as proprietorship, partnership or a private or public limited company in Pakistan. Capital Gains taxation (under section 99A of the Second Schedule of the ITO) and Advance taxation (under section 236C and section 236K of the ITO) on transfers of property to REIT schemes (whereby property transfers in the name of REIT's Trustee is an additional step which is not required in any other form of organization) have almost halted growth of REITs. We remain hopeful that these will be addressed soon, as these are critical for initiating further launch of REITs in Pakistan.

We are also performing a pivotal role in collaborating with the Commission, other registered RMCs in Pakistan and Mutual Funds Association of Pakistan to propose restructuring of the REIT Regulations 2015. Several rounds of discussions had been successfully held during the year in review with the Apex regulator to deliberate on the critical proposals. We have identified impediments, deterrents, irritants, inconsistencies and suggested additions to the present regulations making them more practical and effective. Our critical proposals included introduction of secured borrowing, timing for transfer of real estate under REITs should be post achieving financial close, introduction of un-listed or private REITs and issuance of right units among others.

There are numerous projects and opportunities we are considering which await rationalization of taxation and regulatory regime towards REITs. We are optimistic that with a renewed interest by the Commission to identify and address impediments in growth, it will not be long before REITs will be the mode of choice for significant real estate transactions.

It is important to note that in a real estate project, public money inevitably gets involved in the form of customer advances. Therefore, it is imperative that such business is undertaken by regulated corporate entities such as REITs. However, in order to promote them, it is essential that a level playing field is provided to investors and sponsors when exposed to a REIT business compared with other forms of real estate business conducted in Pakistan and tax dis-advantages faced by REITs are removed. Provincial governments should rationalize the taxation and duties implicated on the transfer of immovable property to and from REITs (including the Capital Value Tax, Registration fee and Stamp Duty) as implicated in the province of Sindh.

**Related Party Transaction**

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

**Acknowledgement**

The Board would like to thank the Securities and Exchange Commission of Pakistan and other business partners for their continued cooperation and support. We also appreciate the effort put in by the management team

**For and on behalf of the Board**

**Muhammad Ejaz**
Chief Executive
September 25, 2018

Russell Bedford

# Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

**To the members of Arif Habib Dolmen Reit Management Limited**

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the annexed financial statements of **Arif Habib Dolmen Reit Management Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and Management Accountants (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

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**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Russell Bedford

**Rahman Sarfaraz Rahim Iqbal Rafiq**
CHARTERED ACCOUNTANTS

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**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Rafiq.

**Rahman Sarfaraz Rahim Iqbal Rafiq**
**Chartered Accountants**
**Karachi**

Date: 25 SEP 2018

**ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2018**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***ASSETS*** | | | |
| **Non-Current Assets** | | | |
| Property and equipment | 4 | **526,467** | 705,980 |
| Intangible assets | 5 | **21,539** | 32,148 |
| Long term deposit and receivables | 6 | **2,376,000** | 2,376,000 |
| Long term loans to employees | 7 | **51,400** | 56,000 |
| Formation cost receivable from Scheme | 8 | **50,339,537** | 105,255,397 |
| Deferred tax | 9 | **8,444,990** | 20,112,651 |
| | | **61,759,933** | 128,538,176 |
| **Current Assets** | | | |
| Mark-up accrued on bank deposits | | **4,292** | 17,058 |
| Receivable | 10 | **27,348,915** | 21,928,230 |
| Current portion of formation cost receivable from scheme | 8 | **54,915,860** | 54,915,860 |
| Current portion of long term loans to employees and advances | 11 | **8,314,303** | 1,438,625 |
| Prepayments and other receivables | 12 | **3,693,119** | 922,100 |
| Advance tax - net | | **-** | 524,966 |
| Short term investment | 13 | **119,009** | 1,315,432,293 |
| Cash and bank balances | 14 | **16,746,028** | 16,468,698 |
| | | **111,141,526** | 1,411,647,830 |
| **Total Assets** | | **172,901,459** | 1,540,186,006 |
| ***SHAREHOLDERS' EQUITY AND LIABILITIES*** | | | |
| **Share capital and reserves** | | | |
| Issued, subscribed and paid-up capital | 15 | **200,000,000** | 200,000,000 |
| Reserves | | **(43,195,696)** | 296,550,603 |
| | | **156,804,304** | 496,550,603 |
| **Non-Current Liabilities** | | | |
| Long term loan | 16 | **-** | 32,500,000 |
| **Current Liabilities** | | | |
| Current portion of long term loan | 16 | **-** | 992,578,333 |
| Accrued mark-up | | **-** | 130,071 |
| Taxation-net | | **879,679** | - |
| Accrued expenses and other payables | 17 | **15,217,476** | 18,426,999 |
| | | **16,097,155** | 1,011,135,403 |
| **Total Equity and Liabilities** | | **172,901,459** | 1,540,186,006 |
| **Contingencies and Commitment** | 18 | | |

The annexed notes from 1 to 31 form an integral part of these financial statements.

*Chief Executive*

*Director*

***ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED***
***STATEMENT OF PROFIT OR LOSS***
***FOR THE YEAR ENDED JUNE 30, 2018***

| | *Note* | ***2018*** ***Rupees*** | *2017* *Rupees* |
|---|---|---|---|
| Revenue | 19 | **86,193,900** | 77,458,710 |
| Administrative expenses | 20 | **(46,643,488)** | (47,434,287) |
| Loss on disposal of securities | | **(93,096,869)** | - |
| Finance cost | 21 | **(59,726,385)** | (74,155,739) |
| Other income | 22 | **733,576** | 116,237,271 |
| Other operating expense | | **(950,000)** | - |
| **(Loss) / profit before taxation** | | **(113,489,266)** | 72,105,955 |
| Taxation | 23 | **(22,793,749)** | (52,531,026) |
| **(Loss) / profit for the year** | | **(136,283,015)** | 19,574,929 |
| **(Loss) / earning per share - Basic and diluted** | 24 | **(6.81)** | 0.98 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

***Chief Executive***

***Director***

*ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED*
*STATEMENT OF COMPREHENSIVE INCOME*
*FOR THE YEAR ENDED JUNE 30, 2018*

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| (Loss) / profit for the year | **(136,283,015)** | 19,574,929 |
| **Other comprehensive (loss) / income** | | |
| Unrealised gain arises on re-measurement of investment available for sale | **5,266** | 114,520,715 |
| Reclassification adjustment relating to disposal of investment - net | **(203,468,550)** | |
| | **(203,463,284)** | 114,520,715 |
| **Total comprehensive (loss) / income for the year** | **(339,746,299)** | **134,095,644** |

The annexed notes from 1 to 31 form an integral part of these financial statements.

*Chief Executive*

*Director*

*ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED*
*STATEMENT OF CASH FLOWS*
*FOR THE YEAR ENDED JUNE 30, 2018*

| | 2018<br>Rupees | 2017<br>Rupees |
|---|---|---|
| ***CASH FLOWS FROM OPERATING ACTIVITIES*** | | |
| (Loss) / profit before tax | **(113,489,266)** | 72,105,955 |
| **Adjustment for:** | | |
| Depreciation | **214,513** | 221,239 |
| Amortisation | **10,609** | 6,352 |
| Interest on amortized cost | **58,674,798** | 70,961,708 |
| Loss on disposal of units | **93,096,869** | - |
| Mark-up on long term loan | **1,040,899** | 3,191,358 |
| Mark-up on bank deposit | **(733,576)** | (596,237) |
| | **152,304,112** | 73,784,420 |
| | **38,814,846** | 145,890,375 |
| **Working capital changes** | | |
| **Increase in current assets** | | |
| Receivable | **(5,420,685)** | (907,699) |
| Current portion of long term loans to employees and advances | **(6,875,678)** | (1,378,625) |
| Prepayments and other receivables | **(2,771,019)** | (794,351) |
| | **(15,067,382)** | (3,080,675) |
| **Decrease in current liabilities** | | |
| Accrued expenses and other payables | **(3,209,523)** | (18,275,075) |
| **Cash generated from operations** | **20,537,941** | 124,534,625 |
| Long term deposit and receivable | **-** | (722,400) |
| Long term loan to employees | **4,600** | 58,000 |
| Markup paid | **(1,170,970)** | (3,061,287) |
| Taxes paid | **(9,721,443)** | (37,468,386) |
| **Net cash generated from operating activities** | **9,650,128** | 83,340,552 |
| ***CASH FLOWS FROM INVESTING ACTIVITIES*** | | |
| Acquisition of property and equipment | **(35,000)** | (737,720) |
| Short term investment made | **-** | (6,476) |
| Formation cost received from scheme | **54,915,860** | 54,915,860 |
| Markup received | **746,342** | 585,021 |
| **Net cash generated from investing activities** | **55,627,202** | 54,756,685 |
| ***CASH FLOWS FROM FINANCING ACTIVITIES*** | | |
| Repayment of long term loan | **(65,000,000)** | (121,724,300) |
| Proceeds from long term loan | **-** | 100,000,000 |
| Repayment of short term loan | **-** | (112,800,000) |
| **Net cash used in financing activities** | **(65,000,000)** | (134,524,300) |
| **Net increase in cash and cash equivalents** | **277,330** | 3,572,937 |
| **Cash and cash equivalents at beginning of the year** | **16,468,698** | 12,895,761 |
| **Cash and cash equivalents at end of the year** | **16,746,028** | 16,468,698 |

The annexed notes form an integral part of these financial statements.

*Chief Executive*

***Director***

*ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED*
*STATEMENT OF CHANGES IN EQUITY*
*FOR THE YEAR ENDED JUNE 30, 2018*

| | | Reserves | | | |
|---|---|---|---|---|---|
| | *Share Capital* | *Capital* | *Revenue* | *Sub total* | *Shareholder's Equity* |
| | | *Fair value Reserves* | *Accumulated (loss) / profit* | | |
| | | | *Rupees* | | |
| **Balance as at June 30, 2016** | 200,000,000 | 88,981,481 | 73,473,478 | 162,454,959 | 362,454,959 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | 19,574,929 | 19,574,929 | 19,574,929 |
| **Other comprehensive income** | | | | | |
| Unrealised gain arises on re-measurement of investment available for sale | - | 114,520,715 | - | 114,520,715 | 114,520,715 |
| | - | 114,520,715 | 19,574,929 | 134,095,644 | 134,095,644 |
| **Balance as at June 30, 2017** | 200,000,000 | 203,502,196 | 93,048,407 | 296,550,603 | 496,550,603 |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | **-** | **-** | **(136,283,015)** | **(136,283,015)** | **(136,283,015)** |
| **Other comprehensive loss** | | **(203,463,284)** | | **(203,463,284)** | **(203,463,284)** |
| | **-** | **(203,463,284)** | **(136,283,015)** | **(339,746,299)** | **(339,746,299)** |
| **Balance as at June 30, 2018** | **200,000,000** | **38,912** | **(43,234,608)** | **(43,195,696)** | **156,804,304** |

The annexed notes from 1 to 31 form an integral part of these financial statements.

*Chief Executive*

*Director*

***ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED***
***NOTES TO THE FINANCIAL STATEMENTS***
***FOR THE YEAR ENDED JUNE 30, 2018***

## *1. STATUS AND NATURE OF BUSINESS*

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

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

### *1.2* **Summary of Significant transactions**

During the year the Company has settled its outstanding loan due to International Complex Projects Limited by disposing off its investment in units of Dolmen City REIT. Please refer note no 13.1.2 & 16.1.

## *2 BASIS OF PREPARATION*

### *2.1 Statement of compliance*

Theses financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017, provision and directives issued under Companies Act 2017, Part VIII A of repealed Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules 2003), the Real Estate Investment Regulations 2015. Where the provisions of and directives issued under Companies Act, 2017, Part VIII A of repealed Companies Ordinance 1984, the NBFC Rules 2003, the REIT Regulations 2015 differ from IFRS standards, the provisions of and directives issued under Companies Act, 2017, Part VIII A of repealed Companies Ordinance 1984, the NBFC Rules 2003, the REIT Regulations 2015 have been followed.

The Companies Act, 2017 has become applicable to the Company fro the year ended 30 June 2018 and onwards. The application of Companies Act, 2017 did not have any financial impact on the Company's financial statement except extended disclosure.

### *2.2 Basis of measurement*

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

### *2.3 Functional and presentation currency*

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

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### 2.4 *Use of estimates and judgments*

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows: -

- Useful lives and residual values of property and equipment (note 3.1)
- Receivable (note 3.3)
- Provision for taxation (note 3.5)
- Investments (note 3.6)
- Impairment (note 3.7)

### 2.5 *Amendments / interpretation to existing standard and forthcoming requirements*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in its revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

*Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:*

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangement" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings

  any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

## 3 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

### 3.1 *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred. Depreciation on all property and equipment is charged to profit and loss account using the reducing balance method at the rates stated in note 4.

In respect of additions and disposals during the year, depreciation is charged from the month asset is available for use and on disposal up to the month prior to the month of disposal.

Assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate.

Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account currently.

### 3.2 *Intangible asset*

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

### 3.3 *Receivable, advances, prepayments and other receivables*

These are recognised initially at fair value and subsequently measured at amortized cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Scheme will not be able to attract all amounts due according to the original terms of receivable. Items considered irrecoverable are written off. The Company reviews its receivables, advances and other receivable against provision required on an ongoing basis and if required, appropriate provision is made there against.

### 3.4 *Revenue recognition*

Management fee for providing REIT Management services and REIT advisory services are recognised on accrual basis.

Markup on bank deposits is recognised on a time proportion basis that takes into account the effective yield.

### 3.5 *Taxation*

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

*Current*

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any.

*Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

### *3.6 Investments*

The management of the Company determines the appropriate classification of its investments at the time of purchase. Investments in securities are recognized on trade date basis and are initially measured at cost.

*Available-for-sale*

Investments in quoted securities which are not held for trading but may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. These investments are subsequently remeasured at fair value with the resulting unrealized gain/loss charged directly in equity in the year in which it arises.

### *3.7 Impairment*

*Non-financial assets*

The company assesses at each reporting date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

*Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

***3.8 Provisions***

Provisions are recognised when the Company has present legal or constructive obligation as a result of past events and its probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

***3.9 Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and at bank.

***3.10 Staff retirement benefit***

The Company contributes to Voluntary Pension Scheme (VPS) managed by an associated undertaking for its permanent employees. Both the employer and employee contribute 10% of salary to the scheme on

***3.11 Financial instruments***

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value and are subsequently measured at fair value or amortised cost as the case may be. The Company derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments. Any gain or loss on derecognition of the financial asset and

***3.12 Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## 4 *PROPERTY AND EQUIPMENT*

| *Particulars* | *Furniture & fixture* | *Office equipment* | *Computer and allied equipment* | *Telecommunication equipment* | *Vehicles* | *Total* |
|---|---|---|---|---|---|---|
| | | *Rupees* | | | | |
| ***Year ended June 30, 2018*** | | | | | | |
| Opening net book value | **4,164** | **14,426** | **455,550** | **56,340** | **175,500** | **705,980** |
| Additions | **-** | **-** | **-** | **35,000** | **-** | **35,000** |
| Depreciation charge | **(625)** | **(2,164)** | **(150,332)** | **(26,292)** | **(35,100)** | **(214,513)** |
| **Closing net book value** | **3,539** | **12,262** | **305,218** | **65,048** | **140,400** | **526,467** |
| **As at June 30, 2018** | | | | | | |
| Cost | **14,040** | **42,500** | **1,069,833** | **324,500** | **202,500** | **1,653,373** |
| Accumulated Depreciation | **(10,501)** | **(30,238)** | **(764,615)** | **(259,452)** | **(62,100)** | **(1,126,906)** |
| | **3,539** | **12,262** | **305,218** | **65,048** | **140,400** | **526,467** |
| ***Year ended June 30, 2017*** | | | | | | |
| Opening net book value | 4,899 | 16,972 | 122,037 | 84,091 | - | 227,999 |
| Additions | - | - | 496,720 | - | 202,500 | 699,220 |
| Depreciation charge | (735) | (2,546) | (163,207) | (27,751) | (27,000) | (221,239) |
| **Closing net book value** | 4,164 | 14,426 | 455,550 | 56,340 | 175,500 | 705,980 |
| **As at June 30, 2017** | | | | | | |
| Cost | 14,040 | 42,500 | 1,069,833 | 289,500 | 202,500 | 1,618,373 |
| Accumulated depreciation | (9,876) | (28,074) | (614,283) | (233,160) | (27,000) | (912,393) |
| | 4,164 | 14,426 | 455,550 | 56,340 | 175,500 | 705,980 |
| Depreciation rate | 15% | 15% | 33% | 33% | 20% | |

| 5 | *INTANGIBLE ASSETS* | *Note* | ***2018*** ***Rupees*** | *2017* *Rupees* |
|---|---|---|---|---|
| | Balance as at 1 July | | **32,148** | - |
| | Addition during the year | | **-** | 38,500 |
| | | | **32,148** | 38,500 |
| | Less: Amortization during the year | | **(10,609)** | (6,352) |
| | Written down value as at 30 June | | **21,539** | 32,148 |
| | Amortization rate | | *33%* | *33%* |

| 6 | *LONG TERM DEPOSIT AND RECEIVABLES* | | | |
|---|---|---|---|---|
| | Long term receivables | 6.1 | **2,363,500** | 2,363,500 |
| | Security deposit with Central Depository Company of Pakistan Limited | | **12,500** | 12,500 |
| | | | **2,376,000** | 2,376,000 |

***6.1*** This represents amount extended to employees in accordance with the terms of employment and Company's policy to facilitate employees to finance motor vehicle on lease or on any other Islamic mode of Financing.

| 7 | *LONG TERM LOANS TO EMPLOYEES* | *Note* | ***2018*** ***Rupees*** | *2017* *Rupees* |
|---|---|---|---|---|
| | **Unsecured-Considered good** | | | |
| | Loans to employees | | **291,200** | 218,169 |
| | Less: Current portion shown under current asset | | **(239,800)** | (162,169) |
| | | | **51,400** | 56,000 |

| 8 | *FORMATION COST RECEIVABLE FROM SCHEME* | | | |
|---|---|---|---|---|
| | Formation cost of scheme | 8.1 | **105,255,397** | 160,171,257 |
| | Less: Current portion shown under current asset | | **(54,915,860)** | (54,915,860) |
| | | | **50,339,537** | 105,255,397 |

***8.1*** These represent preliminary expenses paid by the company for launching of Dolmen City REIT in accordance with REIT regulation 2015. This is interest free and receivable in equal amount paid annually over period of

| 9 | *DEFERRED TAXATION* | *Note* | ***2018*** ***Rupees*** | *2017* *Rupees* |
|---|---|---|---|---|
| | Deferred tax assets / (liabilities) arising in respect of; | | | |
| | **Deductible temporary differences:** | | | |
| | - Tax losses | | **8,462,232** | 20,083,440 |
| | - Unused tax credits | | **-** | 67,827 |
| | | | **8,462,232** | 20,151,267 |
| | **Taxable temporary differences:** | | | |
| | Accelerated tax depreciation / amortization in respect of; | | | |
| | - Property and equipment | | **(15,169)** | (35,260) |
| | - Unrealized gain on remeasurement of investments at fair value through profit and loss | | **(2,073)** | (3,356) |
| | | | **(17,242)** | (38,616) |
| | | | **8,444,990** | 20,112,651 |

***9.1*** Deferred tax of Rs. 8.44 (2017 : Rs. 20.11) million is recognized based on probability of future profits which is increased to considering the current profitability.

## 10 RECEIVABLE

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Receivable | 10.1 | **27,348,915** | 21,928,230 |

*10.1* This includes Rs. 25,088,915 (30 June 2017: Rs. 21,928,230) receivable from the Scheme in respect of management fee. Under the provisions of REIT Regulations 2015, RMC is entitled to an annual management fee not exceeding three percent of Net Operating Income (NOI) of scheme. Management fee becomes receivable on quarterly basis.

## 11 CURRENT PORTION OF LONG TERM LOANS TO EMPLOYEES AND ADVANCES

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **Unsecured - Considered good** | | | |
| Current portion of loans to employees | | **239,800** | 162,169 |
| **Advances to:** | | | |
| Employees | 11.1 | **8,074,503** | 1,276,456 |
| | | **8,314,303** | 1,438,625 |

*11.1* This includes advance to chief executive officer amounting to Rs. 7,430,000 (2017: Rs. 1,219,925).

## 12 PREPAYMENTS AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| Prepayments | **561,922** | 761,104 |
| **Other receivable** | | |
| **Unsecured - Considered good** | | |
| Javedan Corporation limited - a related party | **3,109,989** | 141,533 |
| Others | **21,208** | 19,463 |
| | **3,131,197** | 160,996 |
| | **3,693,119** | 922,100 |

## 13 SHORT TERM INVESTMENT

### 13.1 At available-for-sale

| 2018 Number of units | 2017 Number of units | | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|---|
| **2,250** | 2,250 | Pakistan Cash Management Fund (a related party) | 13.1.1 | **118,395** | 113,129 |
| - | 111,185,000 | Dolmen City REIT | 13.1.2 | - | 1,315,318,550 |

### 13.2 Investment at fair value through profit and loss

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| *Arif Habib Limited - an associated company* | | |
| Marginal Trading System (MTS) | **614** | 614 |
| | **119,009** | 1,315,432,293 |

*13.1.1* The aggregate cost of the units is Rs. 90,758 (June 30, 2017: Rs. 90,758). Market value at year end is Rs. 52.6136 (2017: 50.273) per unit.

*13.1.2* During the year the Company has disposed off its investment in Dolmen City REIT to International Complex Projects Limited (ICPL) representing 111,185,000 units to settle the amount of loan payable to ICPL amounted to Rs 1,018,753,131.

## 14 CASH AND BANK BALANCES

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Cash in hand | | **20,000** | 9,507 |
| **Cash at bank** | | | |
| Saving Account | 14.1 | **16,725,900** | 16,459,063 |
| Current A/c | | **128** | 128 |
| | | **16,726,028** | 16,459,191 |
| | | **16,746,028** | 16,468,698 |

***14.1*** These carry markup at the rates ranging from 4.0% to 5.0% (2017 : 4.0% to 5.6%) per annum.

## 15 SHARE CAPITAL

### 15.1 Authorised

| 2018 Number of shares | 2017 Number of shares | | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **50,000,000** | 50,000,000 | Ordinary shares of Rs.10 each | **500,000,000** | 500,000,000 |

### 15.2 Issued, subscribed and paid up capital

| 2018 Number of shares | 2017 Number of shares | | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **20,000,000** | 20,000,000 | Ordinary shares of Rs.10 each fully paid in cash | **200,000,000** | 200,000,000 |

## 16 LONG TERM LOAN

***16.1*** During the year the Company has settled the amount of loan payable to International Complex Projects Limited through disposal of its units in Dolmen City REIT as disclosed in note 13.1.2.

***16.2*** During the year the Company has also made an early settlement of outstanding term finance loan in full.

## 17 ACCRUED EXPENSES AND OTHER PAYABLES

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Preliminary expenses payable | 17.1 | **522,410** | 523,158 |
| Accrued expense | 17.2 | **1,380,281** | 1,895,092 |
| Sales tax payable | | **13,309,490** | 15,967,359 |
| Others | | **5,295** | 41,390 |
| | | **15,217,476** | 18,426,999 |

***17.1*** These represent preliminary expenses payable by the company for launching of Dolmen City REIT in accordance with REIT regulation 2015.

***17.2*** It includes Rs. 196,226 (2017: Rs. 177,865) payable to a related party.

## 18 CONTINGENCIES AND COMMITMENT

There were no contingencies and commitment at year end.

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **19 REVENUE** | | | |
| REIT management fee | | **94,009,107** | 87,528,343 |
| REIT advisory fee | | **3,390,000** | - |
| | | **97,399,107** | 87,528,343 |
| Less: sales tax | | **(11,205,207)** | (10,069,633) |
| | | **86,193,900** | 77,458,710 |
| **20 ADMINISTRATIVE EXPENSES** | | | |
| Salaries, allowances and benefits | | **29,461,631** | 30,467,015 |
| Legal and professional | | **1,924,441** | 3,003,250 |
| Rent expense | | **3,855,060** | 3,504,600 |
| Communication | | **405,346** | 405,288 |
| Advertisement expense | | **647,980** | - |
| Travelling expense | | **2,503,633** | 2,253,936 |
| Office maintenance charges | | **2,791,182** | 2,134,584 |
| Printing and stationery | | **216,557** | 141,195 |
| Insurance | | **1,608,516** | 1,032,873 |
| Depreciation | 4 | **214,513** | 221,239 |
| Amortisation | 5 | **10,609** | 6,352 |
| Auditors' remuneration | 20.1 | **483,200** | 322,920 |
| Director meeting fee | | **650,000** | 600,000 |
| Training and membership expense | | **188,145** | 1,088,558 |
| Professional tax | | **102,250** | 102,250 |
| Donation | | **300,000** | 400,000 |
| Others | | **1,280,425** | 1,750,227 |
| | | **46,643,488** | 47,434,287 |
| ***20.1 Auditors' remuneration*** | | | |
| Audit fee | | **215,000** | 150,000 |
| Fee for review of condensed interim financial information | | **125,000** | 60,000 |
| Fee for review of code of corporate governance and other certification fee | | **75,000** | 60,000 |
| Government levies | | **33,200** | 21,600 |
| Out of pocket expenses | | **35,000** | 31,320 |
| | | **483,200** | 322,920 |
| **21 FINANCE COST** | | | |
| Amortisation effect on long term loan | | **58,674,798** | 70,961,708 |
| Mark-up on long term loan | | **1,040,899** | 3,191,358 |
| Bank charges | | **10,688** | 2,673 |
| | | **59,726,385** | 74,155,739 |
| **22 OTHER INCOME** | | | |
| Mark-up on bank deposit | | **733,576** | 596,237 |
| Dividend income | | **-** | 115,641,034 |
| | | **733,576** | 116,237,271 |

## 23 TAXATION

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **Current tax** | | | |
| For the year | 23.1 | **11,082,194** | 36,015,205 |
| Prior year tax | | **43,894** | 2,499,409 |
| | | **11,126,088** | 38,514,614 |
| Deferred | | **11,667,661** | 14,016,412 |
| | | **22,793,749** | 52,531,026 |

*23.1* The relationship between tax expense and accounting profit has not been presented in these financial statements as the Company's tax liability is subject to minimum tax in respect of tax deductible at source under section 153 of the Income Tax Ordinance, 2001.

## 24 (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| (Loss) / profit for the year | **(136,283,015)** | 19,574,929 |
| | *No of Shares* | |
| Weighted average number of ordinary shares | **20,000,000** | 20,000,000 |
| | *Rupees* | |
| (Loss) / Earning per share - Basic | **(6.81)** | 0.98 |

*24.1* There were no dilutive shares as at June 30, 2018 (2017 : Nil).

## 25 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Chief Executive and Directors of the Company are given below:

| | 2018 | | |
|---|---|---|---|
| | Executive Director | Non - Executive Directors | Other Executives |
| | ----------- Rupees ------------ | | |
| Remuneration | **7,200,000** | **-** | **10,076,565** |
| Meeting fee | **-** | **650,000** | **-** |
| Contribution to Voluntary Pension Scheme | **720,000** | **-** | **1,037,340** |
| Other benefits (25.1) | **2,126,931** | **-** | **2,992,272** |
| **Total** | **10,046,931** | **650,000** | **14,106,177** |
| **Number of persons** | **1** | **2** | **4** |

| | 2017 | | |
|---|---|---|---|
| | *Executive Director* | *Non - Executive Directors* | *Other Executives* |
| | ------------ *Rupees* ------------ | | |
| Remuneration | 7,200,000 | - | 11,052,000 |
| Meeting fee | - | 600,000 | |
| Contribution to Voluntary Pension Scheme | 720,000 | - | 867,200 |
| Other benefits (25.1) | 2,169,695 | - | 1,414,235 |
| **Total** | 10,089,695 | 600,000 | 13,333,435 |
| **Number of persons** | 1 | 2 | 4 |

***25.1*** Other benefits include health insurance and reimbursement on account of medical and vehicle related costs such as petrol, maintenance, insurance, and driver in accordance with the terms of appointment.

## *26 RISK MANAGEMENT*

The company has exposures to the following risks from its use of financial instruments:

Market Risk
Credit Risk
Liquidity Risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

### *26.1 Market risk*

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market rise comprises of three types of risk, currency risk, interest rate risk, and other price risk.

***Currency risk***

Currency risk is a risk that a fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Scheme is not exposed to currency risk as there are no foreign currency denominated financial instruments held by the Scheme as of the balance sheet date.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any fixed rate financial instrument therefore the Company is not exposed to fair value changes for foxed rate financial instrument. However variable rate financial instruments exposes the Company to fluctuation in cash flow due to change in market interest rate.

As of the balance sheet date the Company has following variable rate financial instruments.

| | *2018* | *2017* |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| ***Financial Liabilities*** | | |
| - Long term loan | - | 32,500,000 |
| - Current portion of long term loan | - | 32,500,000 |
| | - | 65,000,000 |
| ***Financial Assets*** | | |
| - Bank Balance | **16,725,900** | 16,459,063 |

***Cash flow sensitivity analysis on net basis***

The following figures demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable remaining constant on the Company's profit before taxation

| | *Increase/ Decrease in basis points* | **Effect on Profit Before Taxation Rupees** |
|---|---|---|
| **30 June 2018** | **+100** | **167,259** |
| | **-100** | **(167,259)** |
| 30 June 2017 | +100 | (485,409) |
| | -100 | 485,409 |

***Other price risk***

The other price risk includes all other risk other than the interest rate risk and currency risk affecting the fair value or future cash flow of financial instrument because of change in market prices. The Company is not exposed to any significant other price risk as of the balance sheet date.

***26.2 Credit risk***

Credit risk is the risk of a financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Company, as and when they fall due.

The maximum exposure to credit risk at the reporting date is:

| | **2018** | **2017** |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| Formation cost receivable from scheme | **105,255,397** | 160,171,257 |
| Receivable | **27,348,915** | 21,928,230 |
| Other receivable | **3,131,197** | 160,996 |
| Bank balance | **16,726,028** | 16,459,191 |
| Long term deposit | **12,500** | 12,500 |
| Mark-up accrued | **4,292** | 17,058 |
| | **152,478,329** | 198,749,232 |

**Formation cost receivable from scheme, receivable and other receivable**

These receivable mainly pertains receivable from scheme and associated companies therefore management do not foresee any credit/financial loss. The age wise analysis of these receivable represents balance not past due, due within one year and due above one year amounting to Rs. 105,255,397 (30 June 2017: Rs. 160,171,257), Rs. 30,319,116 (30 June 2017: Rs. 22,089,226) and Rs. 160,996 (30 June 2017: Rs. Nil)

The other receivable include a balance due from Javedan Corporation Limited (a related party). The age wise analysis of balance due from a related party includes amount due within one year and due over more than one year amount to Rs. 2,968,456 (2017: 141,533 ) and Rs. 141,533 (2017: Nil ) respectively. The highest aggregate amount outstanding during the year was Rs. 2,968,456 (2017: Rs, 141,533).

**Bank Balance**

The bank balance represents low credit risk as this is placed with banks having good credit rating assigned by independent credit rating agency. The credit quality of bank balance can be assessed with reference to external credit ratings as follows:

| ***Bank*** | ***Rating agency*** | ***Rating*** | |
|---|---|---|---|
| | | ***Short term*** | ***Long term*** |
| Summit Bank Limited | JCR-VIS | A-1 | A- |
| Askari Bank Limited | PACRA | A1+ | AA+ |
| Bank of Punjab | PACRA | A1+ | AA |

### 26.3 *Liquidity risk*

Liquidity risk is a risk that the Scheme will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or another financial assets.

The Company closely monitors liquidity and cash flow positions and ensure that sufficient level of cash and cash equivalents are maintained by the Company to meet its liabilities as and when they fall due.

As of the balance sheet date the financial liabilities of the Company due within one year amounted to Rs. 1,783,786 (30 June 2017: Rs. 995,168,044 ) and due after one year amounted to Rs. Nil (30 June 2017:

### 26.4 *Capital risk management*

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Company is not exposed to any significant capital risk as currently there are not outstanding

## 27 *Fair value of financial instrument*

Fair value is a price that would be received to sell as asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

***Fair value hierarchy***

The fair values of the financial instruments have been analysed in various levels as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2:* 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:* Inputs for the asset or liability that are not based on observable market data (unobservable

The Company's total investments constitutes investments in available for sale and Investment at fair value through profit and loss, and the fair value of such investment is readily quoted. This investment is categorised as level 1 and level 3 investments in accordance with fair value method used. The fair value of such investment held was Rs.118,395 (2017:1315,431,679) and Rs.614 (2017: 614) as at balance sheet date. No level 2 investments were made during the year.

## 28 *TRANSACTIONS WITH RELATED PARTIES*

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

| **Transaction during the year:** | ***2018*** <br> ***Rupees*** | *2017* <br> *Rupees* |
|---|---|---|
| **Rotocast Engineering Company (Private) Limited - (Associate company due to common directorship)** | | |
| Rent expense / paid | **3,855,060** | 3,504,600 |
| Payment of common shared expenses | **2,387,084** | 1,891,277 |
| Administration charges | **215,814** | 201,187 |
| Payment of administration charges | **198,941** | 184,158 |
| **International Complex Projects Limited - (Associate company due to common directorship)** | | |
| Repayment of long term loan | **-** | 86,724,300 |
| Repayment of loan | **1,018,753,131** | - |
| Sale of DCR units | **1,111,850,000** | - |
| **MCB Arif Habib Savings & Investment Limited - (Associate company due to common directorship)** | | |
| Employer's VPS contribution paid | **2,027,444** | 1,873,804 |
| Purchase of units | **-** | 6,475 |
| Receipt of dividend | **-** | 8,634 |
| **Sponsor** | | |
| Short term advance paid during the period | **-** | 86,724,300 |

## 29 *NUMBER OF EMPLOYEES*

*The number of permanent employees at year end and average number of employees during the year were 13 (2017: 13). The company also had 5 employees (2017: 4) on contractual basis at year end.*

## 30 *DATE OF AUTHORISATION*

These financial statements were authorised for issue in the Board of Directors meeting held on 25 SEP 2018.

## 31 *GENERAL*

### *31.1 Comparative information*

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

### *31.2 Figures*

Figures have been rounded off to the nearest Rupee.

*Chief Executive*

***Director***