

**GLOBE RESIDENCY REIT (GRR)**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022**

**Arif Habib Dolmen REIT Management Limited**  
**Directors' Report**  
**For the Year Ended 30<sup>th</sup> June 2022**

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 2022.

**Operational and Financial Results**

FY22 remained an outstanding year of business for the Company. During the period under review, the Company launched five Developmental REIT Schemes which is unprecedented in Pakistan.

REIT Schemes that were registered with the SECP, during the period by the Company include:

| # | Name of the REIT Scheme                       | REIT Category   | SECP Registrati on Date | Indicative Fund Size (PKR Billion) | Location                                 |
|---|---|-----------------|-------------------------|------------------------------------|--|
| 1 | Globe Residency REIT 'GRR'                    | Developmen tal  | Jan 13, 2022            | 2.800                              | Naya Nazimabad, Karachi                  |
| 2 | Sapphire Bay Islamic Development REIT 'SBIDR' | PPP-REIT Scheme | Jan 12, 2022            | 25.000                             | Ravi Riverfront City, Punjab             |
| 3 | Pakistan Corporate CBD REIT 'PCCR'            | Developmen tal  | Dec 22, 2021            | 15.016                             | Old Walton Airport - Kalma Chawk, Lahore |
| 4 | Silk World Islamic REIT 'SWIR'                | Developmen tal  | Sep 27, 2021            | 6.160                              | Surjani, Karachi                         |
| 5 | Silk Islamic Development REIT 'SIDR'          | Developmen tal  | June 30, 2021           | 3.000                              | Surjani, Karachi                         |

After the year ended June 30 2022, further three schemes have been registered with SECP including

| # | Name of the REIT Scheme              | REIT Category | SECP Registrati on Date | Indicativ e Fund Size (PKR Billion) | Location                |
|---|--------------------------------------|---------------|-------------------------|-------------------------------------|-------------------------|
| 1 | Rahat Residency REIT 'RRR'           | Developmental | Aug 03, 2022            | 1.000                               | Naya Nazimabad, Karachi |
| 2 | Naya Nazimabad Apartment REIT 'NNAR' | Developmental | Aug 03, 2022            | 5.875                               | Naya Nazimabad, Karachi |
| 3 | DHA Dolmen Lahore REIT 'DDLRL'       | Rental        | Aug 03, 2022            | 36.396                              | DHA Lahore              |

Company is under mandate for three more REITs with different sponsors, these REITs will be in Lahore and Karachi. Management is confident that deals will be closed during the calendar year 2022.

This proliferation in portfolio of the Company necessitated equipping the organization with tools and human resources to optimally and diligently maintain performance standards that the industry associates the Company with.

The Real Estate of SIDR, SWIR and GRR have been transferred in the name of REITs' Trustee. As construction and sales of GRR is in full swing, the Management is confident that all remaining registered REITs will commence their operations during the fiscal year 2023.

Globe Residency REIT, is a running project acquired from Javedan Corporation Limited situated in Naya Nazimabad. Project real estate was transferred to the Trust on 30<sup>th</sup> March 2022. As at year end, 48% of inventory has been sold by the REIT Scheme. GRR has entered into a Musharaka Agreement for three towers in FL 5 site which will ease cash flow of Schemes to complete the construction work.

During the year under review, the Company commenced vicinity development work planned for SIDR for which consultants were hired and are working under supervision by a team of engineers of project manager. Concept design is being finalized with development advisor and operations are expected to commence in November 2022.

Although new REIT Schemes cumulatively had a positive impact on company's revenue contributing PKR 83.154 million out of PKR 189.602 million, constituting 44% of total revenue, Dolmen City REIT 'DCR' still remained the backbone of RMC's income contributing PKR 98.364 million which account for 52% of total revenue. The Company also earned income from advisory services during the current period. DCR's overall profit over the year has shown a growth of 13.39 % mainly by virtue of real estate appreciation, amounting to PKR 9,762.893 million as compared to PKR 8,609.987 million during the same period last year. In addition to this the Company earned PKR 8.082 million from advisory services during the current period.

A summary of financial results is tabulated below:

| <b>Line Items</b>       | <b>June 2022 (in Rs millions)</b> | <b>June 2021 (in Rs millions)</b> |
|-------------------------|-----------------------------------|-----------------------------------|
| Operating Revenue – net | 189.602                           | 85.493                            |
| Administration Expenses | (97.850)                          | (83.907)                          |
| Other Income            | 19.428                            | 16.341                            |
| Finance Cost            | (45.449)                          | (1.061)                           |
| Profit Before Tax       | 64.694                            | 15.768                            |
| Profit After Tax        | 41.317                            | 5.530                             |
| EPS – in rupees         | 2.07                              | 0.28                              |

Due to the improvement in Covid-19 situation in the country, DCR's income has partially recovered, and it has also positively impacted the tenancy rate. Going forward, there is an upside to the income from DCR as this Rental REIT is still providing discounts to its tenants especially at Food Court and escalations in the rent were also deferred. This dampened the overall profitability of the REIT Scheme last year but DCR has started showing encouraging growth in the last six months.

## **Taxation Reforms**

During the current year, the Company, jointly with other RMCs in Pakistan, advocated removal of two bottlenecks in existing taxation laws:

Earlier, RMCs in Pakistan were subject to 8% withholding / final taxation as service providers, which was substantially higher compared with the rate levied on other Companies. RMCs proposed inclusion of its fee in clause (2) (i) Division III of Part III of the First Schedule of the Income tax Ordinance, 2001 alongwith Asset Management Companies, as the nature of services are same. The proposal was accepted by finance ministry and final tax rate was reduced to 3% from 8%.

REITs are considered pass-through vehicle for taxation purposes globally and similar law was effective in Pakistan. REITs are allowed tax exemption on entity-level provided they distribute 90% of their Accounting Income for the year to the unit holders. However, law was silent on adjustment of accumulated losses incurred in initial years. As per company law, dividends can only be distributed out of net-reserves which inhibit Developmental REITs to distributing 90% income and claim tax exemption. In Finance Act 2023, this issue was resolved based on the proposal of REIT industry, resulting in enactment of favorable law which allow adjustment of accumulated losses of Development REITs in current year's accounting income to qualify for exemption.

## **Business outlook**

As the business environment, supported by prudent government policies and regulations, has turned positive in the outgoing year; we have witnessed growing interest from the market in considering REIT modality for their construction, development and other real estate businesses. Currently there is a healthy pipeline of business and during the outgoing year, the Company successfully registered five Developmental REIT Schemes with SECP and after year end two Development and one Rental REIT is also registered.

## **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.

## **Directors' Remuneration**

The Non- Executive Directors (including independent directors) but excluding those directors who are concurrently serving as Executive Directors in any of the Arif Habib Group of Companies are provided a remuneration for attending Board and its Committee Meetings as may be approved by the Board from time to time.

Further as and when the Board decides to assign any additional roles and responsibilities to any non-executive directors, the Board shall decide the remuneration to be provided to such director which is commensurate with the roles and responsibilities so assigned.

### Directors' Attendance at Board and its Committee Meeting

During the year ended 30 June 2022, Eight (08) Board Meetings, Five (05) Audit Committee Meetings and one (01) Human Resource & Remuneration Committee Meeting were held. Attendance by directors was as follows

| Name of Director   | Board Meeting | Audit Committee | Human Resource & Remuneration Committee |
|--|---------------|-----------------|---|
| <b><u>Current Directors</u></b>                            |               |                 |   |
| Mr Arif Habib *  | 2             | -               | -                                       |
| Mr Nadcem Riaz   | 4             | -               | -                                       |
| Mr Naeem Ilyas   | 8             | 5               | -                                       |
| Ms Tayyaba Rasheed   | 8             | -               | 1                                       |
| Mr Muhammad Noman Akhter *                                 | 2             | -               | -                                       |
| Mr Samad A. Habib  | 5             | 3               | 1                                       |
| Mr Faisal Nadcem   | 7             | -               | -                                       |
| Mr. Sajid ullah Sheikh                                     | 8             | 3               | 1                                       |
| Mr Muhammad Ejaz   | 8             | -               | 1                                       |
| <b><u>Directors resigned during the financial year</u></b> |               |                 |   |
| Mr Nasim Beg   | 6             | -               | -                                       |
| Mr Mirza Mahmood   | 1             | -               | -                                       |
| Mr Qamar Hussain   | 2             | 2               | -                                       |

\* **Mr. Arif Habib** and **Mr. Muhammad Noman Akhter** have been appointed as director on 11 January 2022 and 17 March 2022 respectively.

### Composition of the Board

The current composition of the board is as follows:

#### Total Number of Directors:

- (a) Male: 8
- (b) Female: 1

**Composition:**

| Name                      | Status                  |
|---------------------------|-------------------------|
| Mr. Arif Habib            | Chairman                |
| Mr. Abdus Samad A. Habib  | Non-Executive Director  |
| Mr. Nadeem Riaz           | Non-Executive Director  |
| Mr. Sajidullah Sheikh     | Non-Executive Director  |
| Mr. Faisal Nadeem         | Non-Executive Director  |
| Mr. Muhammad Noman Akhter | Independent Director    |
| Ms. Tayyaba Rasheed       | Independent Director    |
| Mr. Naeem Ilyas           | Independent Director    |
| Mr. Muhammad Ejaz         | Chief Executive Officer |

**Committees of the Board:****Audit Committee**

|                       |          |
|-----------------------|----------|
| Mr. Naeem Ilyas       | Chairman |
| Mr. Samad A. Habib    | Member   |
| Mr. Sajidullah Sheikh | Member   |
| Mr. Noman Akhter      | Member   |

**Human Resource & Remuneration Committee**

|                      |             |
|----------------------|-------------|
| Ms Tayyaba Rasheed   | Chairperson |
| Mr Sajidullah Sheikh | Member      |
| Mr Samad A. Habib    | Member      |
| Mr Muhammad Ejaz     | Member      |

**Post Balance Sheet Events**

There have been no material changes since 30<sup>th</sup> June 2022 to the date of this report except the declaration of dividend of a final cash dividend of Rs 1/share. The effects of such declaration shall be reflected in the next year's financial statement.

**Election of Directors**

In accordance with the provisions of Section 161 of Companies Act 2017 (Section 180 of the repealed Companies Ordinance, 1984) the three years term of eight elected directors of RMC had been completed in October 2021 and all Directors were retired. Fresh elections of Directors were held on October 26, 2021 and the number of Directors as fixed by the Board (eight in numbers) were elected unopposed. Further, Chairman, Chief Executive and sub-committees of the board were also appointed on the said date.

## Pattern of Shareholding

The pattern of share holding of the company as of June 30, 2022 is as following;

| Categories of shareholders  | share held | Percentage |
|---|------------|------------|
| Directors, Chief Executive Officer, and their spouse and minor children.      | 1,000,004  | 5%         |
| Associated Companies, undertakings and related parties.                       | None       | None       |
| NIT and ICP   | None       | None       |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | None       | None       |
| Insurance Companies   | None       | None       |
| Modarabas and Mutual Funds  | None       | None       |
| Shareholders holding 10%  | 18,999,994 | 95%        |
| General Public  |            |            |
| a. Local  | None       | None       |
| b. Foreign  |            |            |
| Others (Former Director)  | 2          | 0%         |

## Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its Terms of Reference duly approved by the Board.

## Auditors

The present external auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants shall retire, and being eligible, have offered themselves for reappointment for the year ending on 30th June 2023. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee of RMC, the Board recommends reappointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, as auditors of AHRML for the financial year ending on 30th June 2023 at a fee to be mutually agreed.

## 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 Officer



**Arif Habib**  
Chairman

Karachi  
October 5, 2022



**VALUATION REPORT**

**OF**

**LAND & BUILDING**  
**(GLOBE RESIDENCY)**

FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi  
and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi

**ON ACCOUNT OF**

**ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**



**FOR**

**ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**Head Office:** Arif Habib Centre, 23-M.T. Khan Road, Karachi

**BY**

**MYK ASSOCIATES PRIVATE LIMITED**

**Head Office:** MYK House, 52-A, Block B, Street 5, SMCHS, Karachi

**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
 (LAND & BUILDING)  
 LOCATED AT NAYA NAZAMABAD, KARACHI  
 ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

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## VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY (LAND & BUILDING)

LOCATED AT NAYA NAZAMABAD, KARACHI  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

### COVERING PAGE OF REPORT

|                                  |   |
|----------------------------------|---|
| <b>MYK Reference No:</b>         | MYK/16626/09/2022   |
| <b>Date of Valuation Report:</b> | September 23, 2022  |
| <b>Date of Visit:</b>            | September 22, 2022  |
| <b>Date of Request Received:</b> | Through Email on dated September 20, 2022   |
| <b>Requested By:</b>             | M/s Arif Habib Dolmen REIT Management Limited   |
| <b>Client Name:</b>              | <b>ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED</b>  |
| <b>Address of Property:</b>      | FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi |
| <b>Appraised By:</b>             | Team of MYK Associates Private Limited  |
| <b>Identified By:</b>            | Team of Arif Habib Dolmen REIT Management Limited.  |
| <b>Custodian of the Land:</b>    | Sindh Board of Revenue  |
| <b>Type of Property:</b>         | Residential Land & Building (Under Construction)  |
| <b>Property Utilization:</b>     | Fully Commercial [ ] <b>Under Development [√]</b> Fully Industrial [ ]  |
| <b>Type of Title:</b>            | Residential (As per Documents)  |
| <b>Surroundings:</b>             | Residential and Commercial [√] Fully Residential [ ]<br>Fully Industrial [ ] Fully Commercial [ ]<br>Residential cum Commercial [ ]                   |
| <b>Sale Approach Value:</b>      | <b>PKR. 4,533,082,500.00</b><br>(As the Cost approach is not applicable on this Land & Building "Under Construction")                                 |
| <b>Force Sale Value:</b>         | <b>PKR. 3,626,466,000.00</b>  |
| <b>Valuation Basis:</b>          | <b>Sales Comparison Approach [√]</b> Cost Approach [ ]  |

**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
LOCATED AT NAYA NAZAMABAD, KARACHI  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**VALUATION INITIATIVE:**

In accordance with the provision of REIT Regulations-2015 and its amendment - 2018, M/s Arif Habib Dolmen REIT Management Limited (the company) appointed MYK Associates Pvt Ltd as a "PBA no limit valuer" and assigned the valuation of Land & Building FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi.

A team from M/s. MYK Associates Private Limited (comprising of the following officials) visited Land & Building for survey and inspection to complete the assignment within the stipulated time.

- **Engr. Iftexhar Ahmed**
- **Syed Shabab Raza**
- **Engr. Muhammad Tauqir**

Meetings with the official representatives of Arif Habib Dolmen REIT Management Limited were carried out to gather the details and information regarding this property. Thereafter an extensive and detailed survey of Land & Building with reference to documents and information provided by them was conducted.



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
LOCATED AT NAYA NAZAMABAD, KARACHI  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**MYK Associates Private Limited  
(ISO 9001-2015 Accredited)  
(Quality Solutions Provider to the Financial Sector)**

MYK Associates Private Limited is an ISO-9001-2015 accredited real estate valuator of Pakistan. We ensure the valuation of international standards to the satisfaction of the client and as well as the concerned departments. Upon achieving the accreditation, we are adhering to maintain the customer requirements, establish the client's trust, and to enable the participation in continual improvement.

MYK has been founded by M. Younas Khan FCA (England & Wales), Ex Country General Manager, Deutsche Bank AG in Pakistan. It was incorporated in September 2000 and is registered under the Pakistan Companies Ordinance 1984. As a professional Survey and Evaluation company, MYK Associates (Pvt.) Limited has over 14 years of experience in conducting evaluation, inspection, and, mucedam management assignments. It provides services to the Financial and Private Sector in Pakistan and is on the approved panel of the Pakistan Banks Association. As a nationwide company, our services comprise of Valuations of Fixed and Current Assets, Inspections of Hypothecated and Pledged Stock and Collateral value (Mucedamage) etc. We are also on the approved panel of NBF and Modarba Association of Pakistan. Our some of the prestigious projects that valuation carried out by MYK Associates (Pvt) Limited:

- i. M/s. CDC House, Shahrah-e-Faisal, Karachi
- ii. Dolmen City Mall & Harbor Front – Clifton Karachi
- iii. M/s. NJI Building, I.I Chundrigar Road, Karachi
- iv. M/s. TPL Trakker Building, Korangi Road, Karachi
- v. M/s. Stock Exchange Building, I.I Chundrigar Road, Karachi
- vi. M/s. The Centre Building opposite Zainab Market and many more.

Over the years, our valuation assignments cover a wide spectrum in consumer retail, industrial, commercial, agricultural, and corporate portfolios that encompass land, building, plant & machinery, commercial buildings, hospitals, residential properties as well as Land & Buildings both in rural and urban areas. We currently conduct inspections for all the corporate and commercial clients for different banks. Our mucedam department expertly manages different portfolios including seasonal crops, which include wheat, rice, cotton, as well as ship breaking, molasses, ethanol, sugar, edible oil, and canola.

MYKs' Mission is to provide strategic counsel, creative solutions, and responsive services in a timely manner to the Financial Sector. MYKs' vision is to be recognized as a leader in providing seamless services through superior quality and commitment as well as achieving operational excellence, industry-leading clientele satisfaction through superior performance.



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
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**CREDENTIAL OF ENGR. IFTEKHAR AHMED**

For the last five years he is associated with MYK Associates Pvt Limited, Karachi Pakistan as Senior General Manager. He had supervised REIT valuation of "Dolman Mall and Harbor Front" for Arif Habib Dolmen REIT Management Limited for three years as per REIT Regulations. He has also supervised the valuation of many Electrical and Mechanical industries. He has conducted many Assessments and Reviews on the reports of other companies for KPMG and other international bodies for comments. By profession he has graduated (B.E.) from NED University of Engineering and Technology, Karachi and is a registered Professional Engineer of PEC (Pakistan Engineering Council), and has vast experience of national and international organizations. He also achieved legal qualifications LL.B., LL.M. and having expertise in Agreement and Contracts writing as well as to lead the legal team to litigate on technical matters. He has acquired training from ABB at Dubai, UAE in "Power Control Management" and "Assets Management" procedures".

**Following are the few valuation of industries, high-rise buildings and projects completed under his supervision:**

1. Complete SSGC Building, Terminal and Storage facilities
2. The Center Point Highrise Building
3. CDC House.
4. EFU Life Insurance Building
5. Habib Bank Plaza
6. Jubilee Insurance
7. Saif Power, Sahiwal
8. Tappal Energy Pvt, Hub Balochistan
9. HESCOL Petroleum Depots and Outlets all over Pakistan
10. Al-Karam Textiles
11. Dawlance Industries Karachi & Hyderabad and Head Office, Karachi
12. Amreli Steel Industries
13. Al-Noor Sugar Mill, Chaudhry Sugar Mill, Mehran Sugar Mill

**His other associations and affiliations are as following:**

- Professional Engineer (PEC).
- Member IEEE (USA).
- Member IEP Karachi Pakistan.
- Member IEEE (Pak)
- Member Sindh High Court Bar Council.



VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

**MYK Associates Private Limited**  
**(ISO 9001-2015 Accredited)**  
**(Quality Solutions Provider to the Financial Sector)**

**TEAM OF MYK ASSOCIATES (PVT) LIMITED**

**Engr. Iftexhar Ahmed**

He holds the position of **Senior General Manager** at MYK Associates Private Limited. By profession he has graduated (B.E.) from NED University of Engineering and Technology, Karachi and is a registered Professional Engineer of PEC (Pakistan Engineering Council) and has vast experience of national and international organizations. He also achieved legal qualification LL.B., LL.M. and having expertise of Agreement and Contracts writing as well as to lead the legal team to litigate on technical matters. He has acquired training from ABB at Dubai, UAE in "Power Control Management" and "Assets handing procedures".

**His other associations and affiliations are as following:**

- Professional Engineer (PEC).
- Member IEEE (USA).
- Member IEP Karachi Pakistan.
- Member IEEE (Pak)

**Mr. Sharjeel Siddiqui-Manager Technical Valuations**

He holds the position of **Manager Technical Valuations** at MYK Associates Private limited. He has vast experience in the technical matters of Valuations and Surveys.

**Mr. Shabab Raza-Manager Evaluations**

He holds position of **Manager Valuations** at MYK Associates Private limited. He has more than 17 years of vast experience in the field of property Valuations and Surveys; Mr. Shabab is amongst the top experts of Karachi in this particular field.

**Engr. Muhammad Tauqir- Senior Surveying Engineer:**

He is working as a Senior Surveying Engineer at MYK Associates Private limited, Karachi for the Last five years. He had conducted REIT valuation of "Dolman Mall and Harbor Front" for Arif Habib Dolmen REIT Management Limited for three years biannual valuation reports as per REIT Regulations. He has also conducted the valuations and prepared the valuations report of many industries, high-rise buildings, and, projects. He having strong a grip in the field of property evaluation and project cost Estimation. By profession he holds a Bachelor's Degree in Urban & Infrastructure Engineering from NED University of Engineering and Technology, Karachi and is a registered Engineer of PEC (Pakistan Engineering Council).

**Engr. Kiran Ashraf - Evaluation Engineer:**

She is currently working as an Evaluation Engineer at MYK Associates Private limited, Karachi. She holds a Bachelor's Degree in Civil Engineering from NED University of Engineering and Technology, Karachi.



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 ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**ASSIGNMENT**

In accordance with REIT Regulations - 2015 and amendment - 2018, the REIT Management Company should appoint "PBA no limit category valuer of Panel-I or Panel-II" to evaluate the property by the qualified engineers who are registered with Pakistan Engineering Council for the purpose of conducting valuation; ensure that the valuation methodology adopted in line with best practices prevalent in the real estate industry and ensure the valuation carried out objectively and independently of its business or commercial relationship and issuance of the declaration by the competent engineer on the given format duly witnessed by the CEO of the valuer company in this respect.

M/s Arif Habib Dolmen REIT Management Limited appointed MYK Associates (Pvt) Limited to evaluate the Residential Land & Building bearing FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi in its capacity of REIT Management Company. These residential lands comprise on two pieces and in total of 40,500.00 Square Yard. The residential plots are demarcated and their details are outlined on page No: 10 and some of those plots are mortgaged to the banks. However, we have been directed by the management of M/s Arif Habib Dolmen REIT that whole area is to be taken for valuation as a one piece of land.





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**ADDITIONAL INFORMATION:**

The Arif Habib Dolmen REIT Management Limited is a REIT Management Company and pioneer to establish first REIT in Pakistan. They are already managing the "Dolmen City and Harbour Front", Silk World Islamic REIT, Silk Islamic Development REIT Jam Chakro Tappo Manghopir Karachi and partner of LCB Walton, Lahore. Now they are developing another area "Land Globe Residency located at Naya Nazimabad, Karachi" under REIT in both composition (Residential REIT and Commercial REIT).

1. Residential REIT: Consists of Open Plots of land and apartments along with amenities with expected project completion time of 4 years.
2. Commercial REIT: Consist of two portions one being retail market and other being residential cum commercial with expected project completion time of 8 years.

The said "Land & Building" FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi, comprises of total area of 40,500.00 Square Yard in irregular shape. This Land is approachable from all prominent roads including Link road of Naya Nazimabad. The traffic flow during work hours (6-days a week) and rest of the time of this location is smooth. Several major and prominent buildings, and apartments are located on it.

This area is rapidly developing day by day. Infrastructure features such as roads, transportation, public amenities and daily work force are easily available in the vicinity and neighborhood of this Area of Karachi. Essential utilities services such as water, drainage, electricity and telephone services are also available within the neighborhood areas of the Land.

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ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**“DESCRIPTION OF LAND”**

Approach: Main Road [ ] Side Road [] Inside Road [ ]

Total Area: **40,500.00 Square Yard** (As per Documents)

Our assessment 40,500.00 Square Yard is based on land details provided by Arif Habib RIET Management as following:

| S No                             | Bounded by               | Dimension   | Area In Square Yard |
|----------------------------------|--------------------------|-------------|---------------------|
| FL 3                             | East Open                | 210' X 192' | 4,508.00            |
| FL 4                             | Corner South / East Open | Irregular   | 4,188.00            |
| FL 5                             | South Open               | Irregular   | 14,325.00           |
| FL 7                             | East Open                | Irregular   | 9,469.00            |
| FL 8                             | South / West Open        | Irregular   | 8,010.00            |
| <b>Total Area in Square Yard</b> |                          | -           | <b>40,500.00</b>    |



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ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**COST APPROACH:**

The "Cost Approach" is a real estate valuation method in which a buyer should pay for a property that should equal the cost to build an equivalent building. In cost approach appraisal, the market price for the property is equal to the cost of land plus cost of construction and services therein such as Generator for stand-by power supply, Chiller Plant and other services for such area. This approach provides the basis for determining the replacement value of the asset or property or any other fixed item or utility service in the premise. Indeed, for consideration of a cost / value in such approach the final shape of the project should have similarity along with similar utilities facilities in construction. However, it does not take into account the loss of income during construction up till the completion of the project achieving desired occupancy.



In fact, at present many housing societies are in this area is under development, so the land in this area is very prospective for any housing scheme and high-rise project after proper development and laying the services / facilities as per requirement such as road, water, sewage and parking in accordance to the housing scheme / or high-rise building. At present, vacant Land is very rare available in this area for sale / purchase as the many developers have already purchased the land for development of societies. Whereas, Arif Habib Dolmen REIT having big land in this area and intend to provide modern facilities cannot be compared with any other scheme with ordinary facilities. Therefore, we determined the value of this REIT on the basis of international standards used in development of this area, those are very much realistic to attract the buyer.

**II. SALE COMPARISON APPROACH:**

The Sales Comparison Approach is to comparing recently-sold properties or land (of local similar nature) with the other similar property. Price adjustments are made for differences in the comparable factors of the property. In fact, the "Sales Comparison Approach" is the basic foundation knowledge for the real estate professionals.



**Therefore, this approach is applicable in the instant case and there are some prominent projects are built, under construction & raw land in the vicinity of the under evaluated land that can be comparable to calculate the sale / purchase deal similar this land.**



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
LOCATED AT NAYA NAZAMABAD, KARACHI  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**PROS AND CONS OF THESE APPROACHES TO DETERMINE TRUE VALUE:**

These approaches also assisting the management to evaluate the growth of profit or income. It further helps to determine the real worth of the property and its appreciation or depreciation after deduction of net operating cost.

**A. Sales Comparison Approach:**

This approach is commonly used in the real estate comparison or appraisals for similar type of property. True Sale Comparison Approach emerged when there is any such process of sale/purchase in the near past. As the case of Saima Arabian Villas is the prominent project in the vicinity of the under-developed or under-construction scheme or land and we have considered their market values to calculate the saleable value of similar under-evaluated Land.

**B. Cost Approach:**

This approach provides at the basis for determining the replacement value of the asset or property or any other fixed item or utility service in the premise. Indeed, for consideration in such approach the final shape of the project should have similarity along with similar utilities / facilities in construction. However, it does not take into account the loss of income during construction up till the completion of the project achieving desired occupancy. Then we can emerge a true picture of the Cost Approach.

**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
 (LAND & BUILDING)  
 LOCATED AT NAYA NAZAMABAD, KARACHI  
 ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**CALCULATION OF LAND:**

**SALE COMPARAISON APPROACH**

Naya Nazimabad land is at the prime real estate location. The development in surrounding area is very fast and becoming the prominent residential hub of Karachi.

To assess the value of the land in this area by survey the Real Estate Agents/Property Dealers offices was carried out and sentiment observed encouraging to build the high-rise in this area after lifting of the ban on building high-rise buildings by the Honorable Supreme Court. Therefore, the high-rise planning and designing activities with Consulting Engineers and companies have started and the construction emerged. At present, the cost of the land of this and around this area has become attractive and observed between the range of PKR. 91,000.00 To PKR. 92,000.00 Per Square Yard depending upon the location and size of the Land. Therefore, we are taking the land value Per Square Yard on similar parameters as under:

| S No               | Bounded by              | Dimension   | Area In Square Yard | Per Sq Yds | Assessment In PKR       |
|--------------------|-------------------------|-------------|---------------------|------------|-------------------------|
| FL 3               | East Open               | 210' X 192' | 4,508.00            | 91,500.00  | 412,482,000.00          |
| FL 4               | Corner South /East Open | Irregular   | 4,188.00            | 91,500.00  | 383,202,000.00          |
| FL 5               | South Open              | Irregular   | 14,325.00           | 91,500.00  | 1,310,737,500.00        |
| FL 7               | East Open               | Irregular   | 9,469.00            | 91,500.00  | 866,413,500.00          |
| FL 8               | South / West Open       | Irregular   | 8,010.00            | 91,500.00  | 732,915,000.00          |
| <b>Grand Total</b> |                         |             | <b>-</b>            | <b>-</b>   | <b>3,705,750,000.00</b> |

**Total Assessment of Land: PKR. 3,705,750,000.00  
 (Rupees Three Billion Seven Hundred Five Million Seven Hundred and Fifty Thousand Only)**



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
 (LAND & BUILDING)  
 LOCATED AT NAYA NAZAMABAD, KARACHI  
 ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**CALCULATION OF GREY STRUCTURE**

**BUILDING GREY STRUCTURE**

| S No | Description        | Total Area In Square Feet | Constructed Area In Square Feet | %age of Work | PKR/Sq. Ft | Assessment In PKR     |
|------|--------------------|---------------------------|---------------------------------|--------------|------------|-----------------------|
| 1    | FL-3 (B2/B1)       | 72,238.00                 | 60,196.00                       | 83%          | 2,500.00   | 150,490,000.00        |
| 2    | FL-4 (B2/B1)       | 60,808.00                 | 50,671.00                       | 83%          | 2,500.00   | 126,677,500.00        |
| 3    | FL-5 (B2/B1)       | 238,760.00                | 86,667.00                       | 36%          | 2,500.00   | 216,667,500.00        |
| 4    | FL-7 (B2/B1)       | 158,558.00                | 79,279.00                       | 50%          | 2,500.00   | 198,197,500.00        |
| 5    | FL-8 (B2/B1)       | 108,240.00                | 54,120.00                       | 50%          | 2,500.00   | 135,300,000.00        |
|      | <b>Grand Total</b> | <b>638,604.00</b>         | <b>330,933.00</b>               |              |            | <b>827,332,500.00</b> |

**GRAND TOTAL ASSESSMENT (LAND + GREY STRUCTURE):** **PKR. 4,533,082,500.00**  
 (I.e; PKR. 3,705,750,000.00 + PKR. 827,332,500.00)  
 (Four Billion Five Hundred Thirty Three Million Eighty Two Thousand and Five Hundred Only)

**DETERMINATION OF FORCED SALE VALUE:**

In order to determine the Forced Sale Value of the Land, all the factors including the natural and physical condition of the Land, infrastructure in the neighborhood area, location, and, availability of services therein. Further, the Government's future development measures to boost the commercial activities, reliability in return of investment in short term or long term basis are also taken into consideration to determine the Forced Sale Value (FSV).

- Law and order situation of the area.
- Prevailing market conditions for real estate.
- Property buying and selling activities in the city.
- Availability of prospective buyers.
- The Current economic situation of the country.
- Present government policies and political environment.

**Forced Sale Value (Less 20%):** **PKR. 3,626,466,000.00**  
 (Rupees Three Billion Six Hundred Twenty Six Million Four Hundred and Sixty Six Thousand Only)



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
LOCATED AT NAYA NAZAMABAD, KARACHI  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**CONCLUSION:**

We have carried out a detailed survey and inspection of "Residential Land & Building" FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangji and FL-07, & FL-08 situated at Ghora Chowrangji Naya Nazimabad, Karachi for valuation vides REIT Regulations-2015 and amendment-2018.

| VALUATION APPROACH                 | VALUE<br>(in round figures)<br>(PKR-Millions) | VALUE IN WORDS  |
|------------------------------------|---|---|
| <b>Sale Approach Value</b>         | <b>4,533</b>                                  | Rupees Four Thousand Five Hundred and Thirty Three Million. |
| <b>Cost Approach Value</b>         |   | Not Applicable  |
| <b>Force Sale Value (Less 20%)</b> | <b>3,626</b>                                  | Rupees Three Thousand Six Hundred and Twenty Six Million.   |


Applicable Approach:      Sales Comparison Approach [√]      Cost Approach [ ]

This is a preliminary valuation report and our evaluation of this Land & Building not to be considered as accounting report. In this report a fair market valuation of Land FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangji and FL-07, & FL-08 situated at Ghora Chowrangji Naya Nazimabad, determined carefully to the best of our ability and knowledge. This land being the residential areas are shown or designated as per the details provided by M/s. Arif Habib Dolmen REIT Management Limited.

Therefore, evaluation report reflects our findings at the place mentioned therein and to the date and time of its inspection. Our assessment is computed with the assumption of market variables which influenced the value and that may vary unexpectedly time to time. In this report we have evaluated the cost of said Land & Building on the assumption of that it is free from any levies and encumbrances irrespective of any nature in title or otherwise. Our physical appraisal is based on the information and data provided by the officials of the M/s. Arif Habib Dolmen REIT Management Limited and accepted in good faith without any responsibility. We have carried out the exercise of valuation with due care and diligence and according to the REIT Regulations-2015 ammendment-2018.

  
Engr. Muhammad Touqir  
Surveying Engineer & Evaluations

  
Syed Shabab Raza.  
Manager-Evaluation & Inspection

  
Muhammad Sharjeel Siddiqui.  
Manager Operation



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
 (LAND & BUILDING)  
 LOCATED AT NAYA NAZAMABAD, KARACHI  
 ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**

**(VALUER DECLARATION UNDER REIT REGULATIONS – 2015 & AMENDMENT-2018)**

**DECLARATION**

1. I Engr. Muhammad Touqir, and the team of MYK Associates (Pvt.) Limited carried out a valuation of "open FL Sites of JCL bearing Nos: FL-03, FL-04, & FL-05 situated at Globe Chowrangi and FL-07, & FL-08 situated at Ghora Chowrangi Naya Nazimabad, Karachi" upon details provided by M/s Arif Habib Dolmen REIT properties, to the best of my knowledge and belief declare:


That an inspection of the Land was carried out including valuation trends and an analysis of neighborhood data the market value of the subject Real Estate as on September 23, 2022 are as below:

| <b>VALUATION APPROACH</b>          | <b>VALUE<br/>(in round figures)<br/>(PKR-Millions)</b> | <b>VALUE IN WORDS</b>                                       |
|------------------------------------|--|---|
| <b>Sale Approach Value</b>         | <b>4,533</b>   | Rupees Four Thousand Five Hundred and Thirty Three Million. |
| <b>Cost Approach Value</b>         |  | Not Applicable  |
| <b>Force Sale Value (Less 20%)</b> | <b>3,626</b>   | Rupees Three Thousand Six Hundred and Twenty Six Million.   |

Applicable Approach:      Sales Comparison Approach []      Cost Approach []

2. That the statements of fact contained in this report are true and correct.
3. That I have not withheld any information.
4. That I have no interest in the Real Estate that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
5. That I have not been instructed either by my company or the client to report a predetermined value for the subject Real Estate.
6. That I am neither a director nor an employee of the RMC and do not have any financial interest "direct or indirect" in the RMC.
7. That I have personally inspected the Real Estate that is the subject of this report.

DECLARED BY:  
  
 (Engr. Muhammad Touqir)  
 Senior Surveyor Project.

WITNESSED BY:  
  
 (Muhammed Younus Khan)  
 Chief Executive Officer (CEO)  
 MYK Associates (Pvt) Ltd, Karachi.



**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**





**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**





**VALUATION REPORT FOR UNDER CONSTRUCTION PROJECT OF GLOBE RESIDENCY  
(LAND & BUILDING)  
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED**





## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Globe Residency REIT

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Globe Residency REIT (the REIT), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in unitholders' fund and statement of cash flows for the period from April 1, 2022 to June 30, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the REIT as at June 30, 2022, and of its financial performance and its cash flows for the period from April 1, 2022 to June 30, 2022 in accordance with the accounting and reporting standards as applicable in Pakistan.

### 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 REIT 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 (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.

### Other Information

There is no other information accompanying the financial statements of the REIT.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, 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 REIT'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 REIT or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the REIT's financial reporting process.



A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



### 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 skepticism 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 REIT'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 REIT'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 REIT 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 board of directors of the management company 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.

The engagement partner on the audit resulting in this independent auditor's report is **Syed Muhammad Hasnain**.

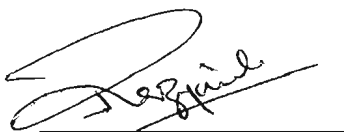
A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Date: October 14, 2022  
UDIN: AR202210073eutPcoBJ

**GLOBE RESIDENCY REIT  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2022**

|   | Note | June 30, 2022<br>(Rupees in '000) |
|---|------|-----------------------------------|
| <b>ASSETS</b>   |      |                                   |
| <b>Non-current assets</b>   |      |                                   |
| Property and equipment  | 4    | 603                               |
| Contract cost assets  | 6    | 19,467                            |
| <b>Total non-current assets</b>   |      | <u>20,070</u>                     |
| <b>Current assets</b>   |      |                                   |
| Inventory property  | 5    | 2,301,375                         |
| Current portion of contract cost assets                                 | 6    | 8,849                             |
| Contract assets   | 7    | 916,202                           |
| Receivables and deposits  | 8    | 318,742                           |
| Advance for development expenditure                                     | 9    | 324,453                           |
| Bank balances   | 10   | 160,122                           |
| <b>Total current assets</b>   |      | 4,029,743                         |
| <b>Total assets</b>   |      | <u><u>4,049,813</u></u>           |
| <b>UNIT HOLDERS' FUND AND LIABILITIES</b>                               |      |                                   |
| <b>REPRESENTED BY:</b>  |      |                                   |
| <b>Unit holders' fund</b>   |      |                                   |
| Issued, subscribed and paid up units (140,000,000 units of Rs. 10 each) | 11   | 1,400,000                         |
| Reserves  |      | 184,407                           |
| <b>Total unit holders' fund</b>   |      | <u>1,584,407</u>                  |
| <b>Non-current liabilities</b>  |      |                                   |
| Long term loan  | 12   | 1,400,000                         |
| Outstanding land consideration  | 13   | 500,000                           |
| <b>Total non-current liabilities</b>                                    |      | 1,900,000                         |
| <b>Current liabilities</b>  |      |                                   |
| Contract liabilities  | 14   | 66,015                            |
| Commission payable  |      | 524                               |
| Payable to suppliers  | 15   | 128,306                           |
| Payable to the REIT Management Company                                  | 16   | 11,796                            |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 17   | 1,578                             |
| Payable to the Securities and Exchange Commission of Pakistan           | 18   | 2,900                             |
| Current portion of outstanding land consideration                       | 13   | 200,000                           |
| Accrued expenses and other liabilities                                  | 19   | 139,800                           |
| Accrued markup on long term loan  |      | 14,487                            |
| <b>Total current liabilities</b>  |      | 565,406                           |
| <b>Total liabilities</b>  |      | <u>2,465,406</u>                  |
| <b>Contingencies and commitments</b>                                    | 20   |                                   |
| <b>Total unit holders' fund and liabilities</b>                         |      | <u><u>4,049,813</u></u>           |
|   |      | (Rupees)                          |
| <b>Net asset value per unit</b>   |      | <u><u>11.32</u></u>               |

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

**For Arif Habib Dolmen REIT Management Limited  
(Management Company)**

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

**GLOBE RESIDENCY REIT  
STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022**

|  | Note | June 30, 2022<br>(Rupees in '000) |
|--|------|-----------------------------------|
| Revenue from contracts with customers  | 21   | 2,564,540                         |
| Cost of sales  | 22   | (2,056,955)                       |
| <b>Gross profit</b>  |      | <u>507,585</u>                    |
| Administrative and operating expenses  | 22   | (90,556)                          |
| <b>Net operating income</b>  |      | <u>417,029</u>                    |
| Other income   | 23   | <u>7,500</u>                      |
|  |      | 424,529                           |
| Remuneration of the REIT Management Company                                  | 16.1 | (6,981)                           |
| Sindh sales tax on remuneration of the REIT Management Company               | 16.2 | (908)                             |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 17.1 | (1,396)                           |
| Sindh sales tax on remuneration of the Trustee                               | 17.2 | (182)                             |
| Annual fee of the Securities and Exchange Commission of Pakistan             | 18.1 | (2,900)                           |
|  |      | <u>(12,367)</u>                   |
| <b>Profit before taxation</b>  |      | <u>412,162</u>                    |
| Taxation   | 24   | (69,802)                          |
| <b>Profit for the period</b>   |      | <u><u>342,360</u></u>             |
|  |      | (Rupees)                          |
| <b>Earnings per unit - Basic and diluted</b>                                 | 25   | <u><u>2.45</u></u>                |

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

**For Arif Habib Dolmen REIT Management Limited  
(Management Company)**

  
Chief Financial Officer

  
Chief Executive Officer

  
Director



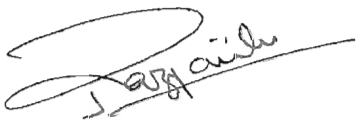
GLOBE RESIDENCY REIT  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022

June 30, 2022  
(Rupees in '000)

|  |                       |
|--|-----------------------|
| Net income for the period after taxation         | 342,360               |
| Other comprehensive income for the period        | -                     |
| <b>Total comprehensive income for the period</b> | <u><u>342,360</u></u> |

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

For Arif Habib Dolmen REIT Management Limited  
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director




**GLOBE RESIDENCY REIT  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUND  
FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022**

|   | Issued,<br>subscribed and<br>paid up units | Reserves                 | Total unit<br>holders'<br>fund |
|---|--|--------------------------|--------------------------------|
|   |  | Unappropriated<br>profit |                                |
| (Rupees in '000)  |  |                          |                                |
| <b>Transactions with owners:</b>                              |  |                          |                                |
| Issuance of 140,000,000 units at par value of Rs. 10 per unit | 1,400,000                                  | -                        | 1,400,000                      |
| Reserves transferred on Project acquisition                   | -  | (157,953)                | (157,953)                      |
|   | 1,400,000                                  | (157,953)                | 1,242,047                      |
| <b>Total comprehensive income for the period</b>              | -  | 342,360                  | 342,360                        |
| <b>Balance as at 30 June 2022</b>                             | <b>1,400,000</b>                           | <b>184,407</b>           | <b>1,584,407</b>               |

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

**For Arif Habib Dolmen REIT Management Limited  
(Management Company)**



**Chief Financial Officer**



**Chief Executive Officer**




**Director**

**GLOBE RESIDENCY REIT  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022**

|   | Note | June 30, 2022<br>(Rupees in '000) |
|---|------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |      |                                   |
| Profit before taxation  |      | 412,162                           |
| <b>Adjustments for non-cash items:</b>                                  |      |                                   |
| Depreciation expense  | 22   | 58                                |
| Finance cost  | 22   | 4,159                             |
|   |      | <u>416,379</u>                    |
| <b>Decrease / (increase) in assets</b>                                  |      |                                   |
| Inventory property  |      | (840,145)                         |
| Contract cost assets  |      | 5,310                             |
| Contract assets   |      | (916,202)                         |
| Receivables and deposits  |      | 238,046                           |
| Advance for development expenditure                                     |      | 183,604                           |
|   |      | <u>(1,329,387)</u>                |
| <b>(Decrease) / increase in liabilities</b>                             |      |                                   |
| Contract liabilities  |      | (1,315,507)                       |
| Commission payable  |      | 5,665                             |
| Payable to the REIT Management Company                                  |      | 11,796                            |
| Payable to the Central Depository Company of Pakistan Limited - Trustee |      | 1,578                             |
| Payable to the Securities and Exchange Commission of Pakistan           |      | 2,900                             |
| Payable to suppliers  |      | 128,306                           |
| Outstanding land consideration  |      | 700,000                           |
| Accrued expenses and other liabilities                                  |      | 125,030                           |
| Accrued markup on long term loan  |      | 14,487                            |
|   |      | <u>(325,745)</u>                  |
| Tax paid  |      | (1,125)                           |
| <b>Net cash flow used in operating activities</b>                       |      | <u>(1,239,878)</u>                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |      |                                   |
| Proceeds from long term loan  | 12   | 1,400,000                         |
| <b>Net cash generated from financing activities</b>                     |      | <u>1,400,000</u>                  |
| <b>Cash and cash equivalents at end of the period</b>                   | 10   | <u><u>160,122</u></u>             |

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

For Arif Habib Dolmen REIT Management Limited  
(Management Company)

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
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Director

**GLOBE RESIDENCY REIT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2022 TO JUNE 30, 2022**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 Globe Residency REIT (the REIT) is established under Trust Deed dated December 24, 2021, 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 REIT was registered on December 24, 2021 whereas approval of the registration of the REIT has been granted by the SECP on December 14, 2021. The REIT is established with the objective of upliftment and construction of the acquired Real Estate including construction of residential units under the project named "Globe Residency Apartments" (the Project) for generating income for Unit Holders. The Project has been acquired from Javedan Corporation Limited and as per the approval received by the RMC from the Securities and Exchange Commission of Pakistan (the SECP) vide letter number SECP/SCD/PRDD/REIT/GRR/2021/51, the Project has been transferred on as-is-where-is basis to the REIT structure. The effective date of the transfer of the Project from the structure of Javedan Corporation Limited to the REIT structure was April 1, 2022. The REIT has a limited life (5 years), Close-end, Developmental REIT. The registered office of the REIT Management Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

The Globe Residency REIT / the Project is registered with the Federal Board of Revenue (FBR) as a builder / developer by virtue of which the taxability of the REIT / the Project will be determined under Section 100D and Eleventh Schedule of Income Tax Ordinance, 2001. The tax liability determined shall be final tax.

The FBR, through the Finance Act 2020, has introduced Section 100D and Eleventh Schedule which later became part of Income Tax Ordinance, 2001. Section 100D introduced a fixed tax REIT for builders and developers from tax year 2020 (and onwards) whereby tax payable by a builder or a developer earning profits and gains derived from the sale of buildings or sale of plots, who opts for assessment under this section, shall be computed and paid in accordance with the rules in the Eleventh Schedule on a project-by-project basis.

These financial statements have been prepared and presented for the period from April 01, 2022 to June 30, 2022. Since this is the first year of the REIT, there are no comparatives in these financial statements.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

- 2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 and Part VIII A of the repealed Companies Ordinance, 1984; and
- The Real Estate Investment Trust Regulations 2015 (REIT Regulations, 2015).

Where the provisions of and directives issued under the Companies Act, 2017, Part VIII A of the repealed Companies Ordinance, 1984 and REIT Regulations, 2015 differ from the IFRSs, the provisions of and directives issued under Companies Act, 2017 and REIT Regulations, 2015 have been followed.

- 2.1.2 As per Regulation 29.2 of REIT Regulations, 2015 services provided, under the REIT Regulations, 2015, the Trust Deed, Offering Document or Information Memorandum, by the RMC, Trustee, Valuers or Property Manager are not deemed related party transactions. Accordingly, the disclosure requirements of IAS 24 'Related Party Disclosures' have not been followed.

- 2.1.3 The transfer of the Project from Javedan Corporation Limited (JCL) to the REIT, in exchange for units of the REIT, is in substance a transaction among entities / businesses under common control as JCL owns 100% units of the REIT. There is currently no guidance in IFRS on the accounting treatment for combinations among entities / businesses under common control. The transaction is outside the scope of IFRS 3 "Business Combinations" and accordingly, the management has applied "predecessor accounting" method. The principles of predecessor accounting are:

- (i) Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- (ii) No new goodwill arises in predecessor accounting.

- (iii) Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

Moreover, the management has opted for the "prospective presentation method" of predecessor accounting in these financial statements. Accordingly, all balances of JCL related to the Project have been incorporated prospectively in the financial statements of the REIT from April 01, 2022, at the carrying values of the Project as appearing in the JCL's books and records as at March 31, 2022 (based on the audited financial statements of the Project). The operating loss generated by the Project during the period it was under direct control of JCL has been added to reserves as shown in the statement of changes in unit holders' fund. Resultantly, no goodwill has been recorded on acquisition of the Project.

## **2.2 Basis of measurement**

These financial statements have been prepared on the basis of 'historical cost convention'.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the REIT. All figures have been rounded off to nearest thousand of rupees unless otherwise stated.

## **2.4 Use of significant estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan, requires management to make judgments, estimates, assumptions and use judgments that affect the application of policies and 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 ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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.

In the process of applying the REIT's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

### **2.4.1 Revenue from contracts with customers**

The REIT applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

#### **2.4.1.1 Determination of performance obligations**

With respect to the sale of apartments under development, the REIT concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of apartments under development mainly include design work, procurement of materials and development of the property. Generally, the REIT is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the REIT accounts for them as a single performance obligation because they are not distinct in the context of the contract. The REIT uses those goods and services as inputs and provides a significant service of integrating them into a combined output, i.e., the completed property for which the customer has contracted.

#### **2.4.1.2 Determining the timing of revenue recognition on the sale of apartments**

The REIT has evaluated the timing of revenue recognition on the sale of apartments based on a careful analysis of the rights and obligations under the terms of the contract.

For contracts relating to the sale of apartments under development, the REIT has considered the factors contained in the contracts for the sale of apartments and concluded that the control of a multi-unit property is transferred to the customer over time because:

- (a) The REIT's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. That is, the REIT has considered various factors that indicate that the customer controls the part-constructed property as it is being constructed, e.g., the customer's ability to change any specification of the property as it is being constructed or to transfer it to another entity. However, none of the factors is determinative and therefore, the REIT has carefully weighed all factors and used judgement to determine that it meets this over-time criterion.

- (b) The REIT's performance does not create an asset with alternative use. Furthermore, the REIT has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the apartment under development for another use during its development. In addition, the REIT is, at all times, entitled to an amount that at least compensates it for performances for performance completed to date (usually costs incurred to date plus a reasonable profit margin). In making this determination, the REIT has carefully considered the contractual terms. The REIT has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the REIT and the transfer of goods and services to the customer.

#### **2.4.1.3 Measurement of progress when revenue is recognised over time**

For contracts involving the sale of apartments under development that meet the over time criteria of revenue recognition, the REIT's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the apartment. The REIT uses the costs incurred method (input method) as a measure of progress for its contracts because it best depicts the REIT's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the REIT excludes the effect of those costs. Also, the REIT adjusts the input method for any cost incurred that are not proportionate to the REIT's progress in satisfying the performance obligation.

#### **2.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective**

There are certain other standards, amendments and interpretations that are mandatory for the REIT's accounting period beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the REIT's operations and are therefore not disclosed in these financial statements.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **3.1 Property and equipment**

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the REIT and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial year in which they are incurred.

Depreciation is calculated using straight-line method to allocate their cost to their residual values over their estimated useful lives. Details of estimated useful life and annual depreciation rates is disclosed in note 4.1.

#### **3.2 Inventory property**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Principally, this is residential property that the REIT develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- (a) Freehold and leasehold rights for land
- (b) Amounts paid to contractors for development
- (c) Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

### 3.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition or construction of an inventory property (which is a qualifying asset) that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation commences when: (1) the REIT incurs expenditures for the asset; (2) the REIT incurs borrowing costs; and (3) the REIT undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Currently, the REIT has borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

The interest capitalised is calculated using the REIT's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

### 3.4 Contract cost assets

The REIT pays sales commission to its brokers for contracts that they obtain to sell certain units of property and capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. These costs are amortised on a systematic basis that is consistent with the revenue recognition policy and amortisation for the period is recognised as part of Cost of sales in statement of profit or loss. Capitalised costs to obtain such contracts are presented separately on the statement of financial position and its amortisation is included in cost of sales in the statement of profit or loss. The REIT assesses, at each reporting date, whether the carrying amount exceeds the remaining amount of consideration that the entity expects to receive in exchange for the residential development less the costs that relate directly to completing the development and that have not been recognised as expenses.

### 3.5 Receivables and deposits

Receivables are recognised in accordance with the respective repayment schedules / original invoiced price except where the time value of money is material, in which case receivables are recognised at fair value and subsequently measured at amortised cost. Refer to note 3.7.1 for accounting policies on financial assets.

### 3.6 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of balances with banks and term deposit receipts having maturity of not more than three months.

### 3.7 Financial instruments

#### 3.7.1 Financial assets

##### 3.7.1.1 Classification and subsequent measurement

The REIT has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

The classification requirements for debt and equity instruments are described below:

#### (i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds etc.

Classification and subsequent measurement of debt instruments depend on:

- the REIT's business model for managing the asset; and
- the cash flow characteristics of the asset.

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Based on these factors, the REIT classifies its debt instruments in one of the following three measurement categories:

**a) At amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.8 to these financial statements

**b) Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, recognised and measured as described in note 3.8, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit or loss.

**c) Fair value through profit or loss (FVPL)**

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the profit or loss in the period in which it arises.

**(ii) Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at fair value, with gains and losses recognised in the profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

The dividend income for equity securities classified under FVOCI is to be recognised in the profit or loss. However, any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as FVOCI is to be recognised in other comprehensive income and is not recycled to the profit or loss on derecognition.

**3.7.1.2 Derecognition**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- (i) the REIT transfers substantially all the risks and rewards of ownership; or
- (ii) the REIT neither transfers nor retains substantially all the risks and rewards of ownership and the REIT has not retained control.

Any gain or loss on derecognition of financial assets is taken to the profit or loss except in the case of equity instruments designated as FVOCI on initial recognition.

**3.7.1.3 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the REIT commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

**3.7.2 Investment in subsidiary companies**

Investment in subsidiary companies is stated at cost less impairment, if any, for any diminution in its value.

### 3.7.3 Financial liabilities

Financial liabilities are classified and measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

#### 3.7.3.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the profit or loss.

### 3.7.4 Initial recognition

Financial assets and financial liabilities are recognised at the time the REIT becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit or loss.

### 3.7.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements 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 realise the assets and settle the liabilities simultaneously.

### 3.7.6 Business model

The business model reflects how the REIT manages the assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the REIT in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

### 3.7.7 Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the REIT assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the REIT considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

### 3.7.8 Reclassifications

The REIT reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

### 3.7.9 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the profit or loss.

## 3.8 Impairment

### Financial assets

The REIT recognizes a loss allowance for expected credit loss (ECL) on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

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The REIT always recognizes lifetime ECL for receivable. The ECL on these financial assets are estimated using a provision matrix based on the REIT's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the REIT recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the REIT measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### **Non financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.9 Accrued and other liabilities**

Liabilities for trade and other account payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the REIT.

### **3.10 Provisions**

Provisions are recognized when the REIT has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### **3.11 Contingent liabilities**

A contingent liability is disclosed when the REIT has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the REIT; or the REIT has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **3.12 Revenue recognition**

The REIT's key source of income is revenue from contracts with customers from the sale of inventory property under development.

#### **3.12.1 Revenues from the sale of inventory property**

The REIT enters into contracts with customers to sell property that are either completed or under development. Contracts to sell completed property will only be entered in the future if any apartments are sold after completion of the property development.

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**(i) Completed inventory property**

The sale of completed property constitutes a single performance obligation and the REIT has determined that this is satisfied at the point in time when control transfers. This generally occurs when either legal title and / or possession of the inventory property is transferred to the customer.

**(ii) Inventory property under development**

The REIT considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the REIT is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The REIT accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed apartment (the combined output) which the customer has contracted to buy.

For the sale of property under development, the REIT has determined that its performance does not create an asset with alternative use to the REIT and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For contracts that meet the over time revenue recognition criteria, the REIT's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The REIT excludes the effect of any costs incurred that do not contribute to the REIT's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the REIT's progress in satisfying the performance obligation.

**3.13 Contract balances****(i) Contract assets and contract liabilities**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9 – refer to "Impairment" in note 3.8.

A contract liability is the obligation to transfer goods or services to a customer for which the REIT has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the REIT performs under the contract (i.e. transfers control of the related goods or services to the customer).

Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed to the customer, the difference is recognised (as a contract asset) and presented in the statement of financial position under "Contract assets", whereas in contracts in which the goods or services transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the REIT transfers the remaining goods or services), the difference is recognised (as a contract liability) and presented in the statement of financial position under "Contract liabilities".

For more information on contract assets and contract liabilities, please refer to notes 7 and 14.

**(ii) Trade receivables**

A trade receivable represents the REIT's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Revenue earned from property development activities, but yet to be billed to customers, is initially recognised as contract assets and reclassified to trade receivables when the right to consideration becomes unconditional. Refer also to the accounting policies on financial assets in this note for more information.

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### 3.14 Finance income

Profit on bank deposits is recognized on a time proportionate basis using effective yield method.

### 3.15 Taxation

#### 3.15.1 Current

Provision for current taxation is based on taxable income for the year, if any, at the current rates of taxation or alternative corporate tax computed on accounting profit or minimum tax on turnover, whichever is higher, after taking into consideration applicable tax credits and rebates and exemptions available, if any, and taxes paid under the final tax regime. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalised during the year.

### 3.16 Net assets value per unit

The net assets value (NAV) per unit as disclosed on the statement of financial position is calculated by dividing the net assets of the REIT by the number of units outstanding at the year end.

### 3.17 Earnings per unit

Earnings per unit (EPU) is calculated by dividing the profit or loss attributable to unit holders' of the REIT by the weighted average number of units outstanding during the year.

**June 30, 2022**  
(Rupees in '000)

## 4 PROPERTY AND EQUIPMENT

Operating fixed assets

603

603

4.1 The following is a statement of operating fixed assets:

|   | 2022               |                  |            |
|---|--------------------|------------------|------------|
|   | Computer equipment | Office equipment | Total      |
| (Rupees in '000)  |                    |                  |            |
| <b>At April 1, 2022</b>                                   |                    |                  |            |
| Cost (at Project acquisition)                             | 638                | 55               | 693        |
| Accumulated depreciation (at Project acquisition)         | (30)               | (2)              | (32)       |
| Net book value  | <u>608</u>         | <u>53</u>        | <u>661</u> |
| <b>For the period from April 1, 2022 to June 30, 2022</b> |                    |                  |            |
| Opening net book value                                    | 608                | 53               | 661        |
| Additions   | -                  | -                | -          |
| Disposals   |                    |                  |            |
| Cost  | -                  | -                | -          |
| Depreciation  | -                  | -                | -          |
| Depreciation charge for the period                        | (53)               | (5)              | (58)       |
|   | <u>555</u>         | <u>48</u>        | <u>603</u> |
| <b>At June 30, 2022</b>                                   |                    |                  |            |
| Cost  | 638                | 55               | 693        |
| Accumulated depreciation                                  | (83)               | (7)              | (90)       |
| Net book value  | <u>555</u>         | <u>48</u>        | <u>603</u> |
| Depreciation rate: % per annum                            | 33.33              | 33.33            |            |

4.2 The balances as at April 1, 2022 represent the non-current assets transferred to the REIT from Javedan Corporation Limited upon acquisition of the Project on April 1, 2022. The balances have been transferred on as-is-where-is basis.

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| 5 | INVENTORY PROPERTY              | Note | June 30, 2022<br>(Rupees in '000) |
|---|---------------------------------|------|-----------------------------------|
|   | At Project acquisition          |      | 27,777                            |
|   | Additions during the period     |      |                                   |
|   | Land                            | 5.1  | 3,240,000                         |
|   | Land transfer duties and taxes  |      | 19,148                            |
|   | Development expenditures        |      | 249,862                           |
|   | Interest capitalised            | 5.2  | 18,237                            |
|   | Construction materials utilised |      | 792,588                           |
|   |                                 |      | 4,319,835                         |
|   | Transfers to Cost of sales      | 5.3  | (2,046,237)                       |
|   |                                 |      | <u>2,301,375</u>                  |

5.1 The REIT has entered into an agreement to convey with Javedan Corporation Limited and has acquired the said land at total agreed consideration of Rs. 3,240 million. Payment arrangement involves issuance of 100 percent units of the REIT amounting Rs. 1,400 million, bank loan proceeds amounting Rs. 1,140 million and deferred consideration amounting Rs. 700 million payable over life of the REIT, which at all times will be subordinate to payments of all regulatory and business obligations of the REIT and subject to availability of cash flows.

The land comprises of two disjointed open residential plots located in Deh Manghopir, Tappo Manghopir, Taluka Gadap Town, Tehsil and District Karachi North. It is spread over land-survey numbers Nos. 38 and 40 located at Globe Chowrangi Naya Nazimabad (measuring 23,021 square yards) and at Survey No. 256 located at Ghora Chowrangi Naya Nazimabad (measuring 17,479 square yards).

5.2 This relates to borrowing cost incurred on term finance facility as discussed in note 12.1. The borrowing costs have been capitalized for inventory properties as these are qualifying assets.

5.3 As discussed in note 2.4.1.3, the revenue is measured using an input method. By using costs incurred method as a measure of progress for its contracts, the REIT's cumulative performance has been measured at 27.66% as at June 30, 2022. Hence, 27.66% of the total costs capitalised with respect to inventory properties that have been contracted to be sold, have been recognised in Cost of sales cumulatively.

| 6 | CONTRACT COST ASSETS       | June 30, 2022<br>(Rupees in '000) |
|---|----------------------------|-----------------------------------|
|   | Current portion            | 8,849                             |
|   | Non-current portion        | 19,467                            |
|   | Total contract cost assets | <u>28,316</u>                     |

#### 6.1 Movement in contract cost assets

|  |   |               |
|--|---|---------------|
|  | At Project acquisition                                    | 33,630        |
|  | Additions   | 5,403         |
|  | Amortisation for the period (recognised in Cost of sales) | (10,718)      |
|  | Total contract cost assets                                | <u>28,316</u> |

6.2 The REIT capitalised the sales commissions paid or payable to its brokers for contracts obtained to sell apartments as they represent incremental costs of obtaining a contract. The capitalised costs are amortised on a systematic basis that is consistent with the revenue recognition policy and amortisation for the period is recognised in Cost of sales. Refer note 3.12 for further information on revenue recognition policy. No impairment was considered necessary as the remaining amount of consideration exceeded to a significant extent the remaining budgeted costs and the carrying amount of the contract cost assets. Contract cost assets are apportioned between current and non-current portion on the basis of Management's best estimate in respect of future construction projections.

| 7 | CONTRACT ASSETS     | Note | June 30, 2022<br>(Rupees in '000) |
|---|---------------------|------|-----------------------------------|
|   | Recorded as revenue | 7.1  | 916,202                           |
|   |                     |      | <u>916,202</u>                    |

7.1 Contract assets are initially recognised for revenue earned from property under development but yet to be billed to customers. Upon billing of invoice, the amounts recognised as contract assets are reclassified to trade receivables.

| 8    | <b>RECEIVABLE AND DEPOSITS</b>   | Note | June 30, 2022<br>(Rupees in '000) |
|------|--|------|-----------------------------------|
|      | Receivable from Javedan Corporation Limited  | 8.1  | 318,642                           |
|      | Short term deposit   | 8.2  | 100                               |
|      |  |      | <u>318,742</u>                    |
| 8.1  | This represents net receivable balance from Javedan Corporation Limited as at June 30, 2022. Javedan Corporation Limited, on behalf of the REIT, received total customer advances of Rs. 1,450 million and incurred total expenses of Rs. 1,131 million. This excludes impact of the outstanding land consideration due to Javedan Corporation Limited, refer note 13.   |      |                                   |
| 8.2  | This represents security deposit paid to the Central Depository Company of Pakistan Limited (Trustee).   |      |                                   |
| 9    | <b>ADVANCE FOR DEVELOPMENT EXPENDITURE</b>   | Note | June 30, 2022<br>(Rupees in '000) |
|      | Mobilization advance to contractors  | 9.1  | 318,653                           |
|      | Advance to supplier  | 9.2  | 5,800                             |
|      |  |      | <u>324,453</u>                    |
| 9.1  | This represents mobilization advances paid in accordance to the agreements signed for upgradation of access road and allied works to M/s. Abaseen Construction Company (Pvt.) Ltd (Contractor), M/s. Principal Builders (Contractor), M/s. AH Construction (Pvt.) Limited (Contractor) and M/s. Karizma Construction and RF Associates (Contractors).  |      |                                   |
| 9.2  | This represents balance of advance amount paid to M/s. Yusuf Batool in accordance to the agreements signed for supply construction materials.  |      |                                   |
| 10   | <b>BANK BALANCES</b>   | Note | June 30, 2022<br>(Rupees in '000) |
|      | Savings accounts   | 10.1 | <u>160,122</u>                    |
| 10.1 | These saving accounts carry mark-up at rates ranging from 8.25% to 12.25% per annum. Markup income recognised during the period amounted to Rs. 7.5 million.   |      |                                   |
| 11   | <b>UNIT HOLDER'S FUNDS</b>   |      |                                   |
| 11.1 | <b>Issued, subscribed and paid up units</b>  |      |                                   |
|      | <b>2022</b><br>(Number in Units)   | Note | June 30, 2022<br>(Rupees in '000) |
|      | <u>140,000,000</u>   |      |                                   |
|      | Ordinary units of Rs.10 each fully paid in cash  | 11.2 | 1,400,000                         |
|      | <u>140,000,000</u>   |      | <u>1,400,000</u>                  |
| 11.2 | The REIT has issued 140,000,000 units on 29 March 2022 at a par value of Rs 10/- per unit. Note 5.1 explains that these units were issued solely to Javedan Corporation Limited as part of the agreed consideration plan for land acquired for development properties.   |      |                                   |
| 12   | <b>LONG TERM LOAN</b>  | Note | June 30, 2022<br>(Rupees in '000) |
|      | Term finance facility  | 12.1 | <u>1,400,000</u>                  |
| 12.1 | The long term financing facility has been availed from Bank Alfalah Limited (the Bank) to facilitate in meeting financing requirements for purchase of land and construction thereon of residential apartments under REIT project. The bank has approved a facility of Rs. 1.4 billion at a profit rate of 6 months KIBOR + 1.25% spread. The loan is repayable in six equal half-yearly instalments starting from September 30, 2023. The facility requires to create, register, where applicable, and maintain, throughout the tenor, a mortgage on the Real Estate in favour of the Bank for a maximum secured amount of Rs. 1,866.67 million. The tenor of financing is 4 years from the date of disbursement (including 1 year grace period). Principal and markup to be paid on semi-annual basis. |      |                                   |

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12.2 The long term loan has been partly utilised for part payment of Rs. 1,140 million for the agreed land consideration payable to Javedan Corporation Limited. The interest cost on this portion of long term loan shall be capitalised as part of inventory property which is a qualifying asset. Remaining part of the long term loan has been utilised partly for payment formation costs and to earn profit on bank deposits. Therefore, borrowings costs pertaining to the remaining loan amount have been recognised as an finance cost in the statement of profit or loss.

|    |                                       | June 30, 2022<br>(Rupees in '000) |
|----|---------------------------------------|-----------------------------------|
| 13 | <b>OUTSTANDING LAND CONSIDERATION</b> |                                   |
|    | Current portion                       | 200,000                           |
|    | Non-current portion                   | 500,000                           |
|    |                                       | <u>700,000</u>                    |

13.1 This represents balance consideration payable in accordance with the conveyance deed executed on March 30, 2022. The amount is payable in lieu of the land acquired under the REIT project and held as development properties to be sold during the normal course of business as discussed in note 5.1. As per the conveyance deed, Rs. 200 million shall be payable within one year from the date of execution of the conveyance deed, whereas two instalments of Rs. 250 million each shall be payable after the completion of two years and three years from the date of execution of the conveyance deed respectively.

|    |                             | June 30, 2022<br>(Rupees in '000) |
|----|-----------------------------|-----------------------------------|
| 14 | <b>CONTRACT LIABILITIES</b> |                                   |
|    | At Project acquisition      | 1,381,522                         |
|    | Receipts                    | 332,831                           |
|    | Revenue recognised          | (1,648,338)                       |
|    |                             | <u>66,015</u>                     |

14.1 Contract liabilities include instalments received from customers subject to cancellation charges in the event where a customer plans to cancel their contract. This gives the REIT protection if the customer withdraws from the conveyancing transaction. If this were to happen, 25% of the customers' deposits would be forfeited. The customer's ability to transfer the apartment to a third party gives reasonable evidence to conclude that where the customer would like to withdraw from their conveyance deed, the customer would prefer transferring their apartment booking to a third party rather than cancel their booking and getting 25% of their deposits being forfeited.

|    |                             | Note | June 30, 2022<br>(Rupees in '000) |
|----|-----------------------------|------|-----------------------------------|
| 15 | <b>PAYABLE TO SUPPLIERS</b> |      |                                   |
|    | Payable to supplier         | 15.1 | <u>128,306</u>                    |

15.1 This represents balance of amounts payable to M/s. Agha Steel Industries Limited, M/s. Faizan Steel and M/s. Safe Mix Concrete Limited in accordance to the agreements signed for supply of construction materials.

|    |  | Note | June 30, 2022<br>(Rupees in '000) |
|----|--|------|-----------------------------------|
| 16 | <b>PAYABLE TO THE REIT MANAGEMENT COMPANY</b>                  |      |                                   |
|    | Remuneration of the REIT Management Company                    | 16.1 | 6,981                             |
|    | Sindh sales tax on remuneration of the REIT Management Company | 16.2 | 908                               |
|    |  |      | <u>7,889</u>                      |
|    | Others   |      | 3,907                             |
|    |  |      | <u>11,796</u>                     |

16.1 Under the provisions of REIT Regulations, 2015, the RMC is entitled to a remuneration as stated in the Offering Document and Information Memorandum. The management company charges fee at the rate of 1.0% of REIT Fund. The management fee is payable on quarterly basis in arrears.

16.2 The Sindh Government has levied Sindh Sales Tax on the remuneration of RMC through Sindh Sales Tax on Services Act 2011, effective from July 1, 2014. The current applicable tax rate is 13% being effective from July 1, 2016. During the period, an amount of Rs. 0.908 million was charged on account of sales tax on remuneration of the Trustee.

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| 17   | <b>PAYABLE TO THE CENTRAL DEPOSITORY COMPANY<br/>OF PAKISTAN LIMITED - TRUSTEE</b>  | Note | <b>June 30, 2022<br/>(Rupees in '000)</b>  |
|------|---|------|--|
|      | Trustee fee payable   | 17.1 | 1,396  |
|      | Sindh sales tax on remuneration of the Trustee  | 17.2 | 182  |
|      |   |      | <u>1,578</u>   |
| 17.1 | The Trustee is entitled to an annual remuneration for services rendered to the REIT under the provisions of the Trust Deed. Accordingly, the REIT has charged Trustee remuneration @ 0.2% per annum of initial REIT Fund during the current period and an amount of Rs. 1.396 million has been recorded in the statement of profit or loss.               |      |  |
| 17.2 | The Sindh Government has levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act 2011, effective from July 1, 2015. The current applicable rate is 13% being effective from July 1, 2016. During the period, an amount of Rs. 0.182 million was charged on account of sales tax on remuneration of the Trustee. |      |  |
| 18   | <b>PAYABLE TO THE SECURITIES AND EXCHANGE<br/>COMMISSION OF PAKISTAN</b>  | Note | <b>June 30, 2022<br/>(Rupees in '000)</b>  |
|      | Annual fee payable  | 18.1 | <u>2,900</u>   |
| 18.1 | Under the provisions of the REIT Regulations, 2015, the REIT is required to pay monitoring fee to SECP at an amount equal to 0.20% of initial REIT fund.  |      |  |
| 19   | <b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>   | Note | <b>June 30, 2022<br/>(Rupees in '000)</b>  |
|      | Sales tax and withholding income tax  |      | 23,325   |
|      | Auditor's remuneration  |      | 1,080  |
|      | Payable to project manager  |      | 75,326   |
|      | Unit registrar's fee  |      | 191  |
|      | Other liabilities   |      | 3,601  |
|      | Tax payable   |      | 36,277   |
|      |   |      | <u>139,800</u>   |
| 20   | <b>CONTINGENCIES AND COMMITMENTS</b>  |      |  |
|      | There were no contingencies and commitments outstanding as at June 30, 2022.  |      |  |
| 21   | <b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>  | Note | <b>For the period<br/>from April 1,<br/>2022 to June<br/>30, 2022<br/>(Rupees in '000)</b> |
|      | Revenue from contracts with customers   |      | <u>2,564,540</u>   |
| 22   | <b>COST OF SALES</b>  |      |  |
|      | Transfers from inventory property   | 5    | 2,046,237  |
|      | Amortisation of contract cost assets  | 6.1  | 10,718   |
|      |   |      | <u>2,056,955</u>   |
| 22   | <b>ADMINISTRATIVE AND OPERATING EXPENSES</b>  |      |  |
|      | Formation cost  | 22.1 | 1,026  |
|      | Project management fee  | 22.2 | 72,735   |
|      | Fees and subscriptions  |      | 4,528  |
|      | Legal and professional charges  |      | 5,411  |
|      | Marketing expense   |      | 1,552  |
|      | Depreciation expense  | 4.1  | 58   |
|      | Auditors' remuneration  |      | 1,080  |
|      | Finance cost  |      | 4,159  |
|      | Bank charges  |      | 7  |
|      |   |      | <u>90,556</u>  |

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- 22.1 These represent all preliminary and floatation expenses of the Trust including expenses incurred in connection with the establishment and registration of the REIT prior to the commencement of operations.
- 22.2 These represent project management fee accrued for the period from April 1, 2022 to June 30, 2022. In accordance with the regulation 14 (vii) of the REIT Regulations, 2015, the RMC is obliged to appoint a development advisor with the consent of the Trustee. For this purpose, Arif Habib Development & Engineering Consultants (Private) Limited (the Project Manager) has been engaged to manage and supervise the Project, effectively from March 31, 2022. The responsibilities of the Project Manager include material procurement, sales and marketing, collections from customers, contracts preparation, and coordination and supervision of the Project. The Project Manager is entitled to receive fees equivalent to 15% of the profit before tax generated by the REIT. The fee shall be payable, on a monthly basis, to the Project Manager at the higher of 1.5% of monthly sales collection and Rs. 5 million.

|    |                         | For the period<br>from April 1,<br>2022 to June<br>30, 2022<br>(Rupees in '000) |
|----|-------------------------|---|
|    | Note                    |   |
| 23 | <b>OTHER INCOME</b>     |   |
|    | Profit on bank deposits | 10.1 <u>7,500</u>   |
| 24 | <b>TAXATION</b>         |   |
|    | Current tax expense     | <u>69,802</u>   |

As discussed in note 1, the Project is registered in the aforesaid tax scheme (i.e. under Section 100D and Eleventh Schedule to the Income Tax Ordinance, 2001). As per the scheme, total tax liability for the REIT arrived at Rs 236.7 million which is to be paid quarterly. Out of Rs 236.7 million, Rs. 67.6 million relates to the current period and accordingly has been recognised in these financials statements. Under the scheme, total tax liability has to be paid till September 2023.

|    |   | For the period<br>from April 1,<br>2022 to June<br>30, 2022<br>(Rupees in '000) |
|----|---|---|
| 25 | <b>EARNINGS PER UNIT - BASIC AND DILUTED</b>                |   |
|    | Total earnings for the period                               | <u>342,360</u>  |
|    |   | (Number in Units)   |
|    | Weighted average number of ordinary units during the period | <u>140,000,000</u>  |
|    |   | (Rupees)  |
|    | Earnings per unit - basic and diluted                       | <u>2.45</u>   |

## 26 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons and related parties include Arif Habib Dolmen REIT Management Limited being the RMC, Central Depository Company of Pakistan Limited being the Trustee, Arif Habib Development & Engineering Consultants (Private) Limited being the Project Manager and an associate due to common directorship, Javedan Corporation Limited holding 100% units of the REIT and being an associate due to common directorship, other REITs managed by the RMC and other entities under common management and / or directorship and the directors and their close family members and officers of the RMC and the Trustee, key management personnel, other associated undertakings and unit holders holding more than 10% units / net assets of the REIT.

In accordance with the REIT Regulations, 2015, the services provided under REIT Regulations, 2015, the Trust Deed, Offering Document or Information Memorandum, by the RMC, Trustee, Valuer, Property Manager shall not be deemed related party transaction.

Transactions with related parties are in the normal course of business, at contracted rates and terms determined in accordance with commercial rates. There are no potential conflicts of interest of the related party with respect to the REIT.

There are no related parties incorporated outside Pakistan with whom the REIT had entered into transactions during the year.

*Arif Habib*



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

|   | For the period<br>from April 1,<br>2022 to June<br>30, 2022<br>(Rupees in '000) |
|---|---|
| <b>26.1 Transactions during the period:</b>   |   |
| <b>Arif Habib Dolmen REIT Management Limited -<br/>(Management Company)</b>   |   |
| - Formation cost  | 1,026   |
| - Development & other expenditure   | 2,631   |
| - Fees and subscriptions  | 150   |
| - Short term deposit  | 100   |
| <b>Arif Habib Development &amp; Engineering Consultants (Private) Limited -<br/>(Associate due to common directorship)</b>      |   |
| - Expenses incurred on behalf of the REIT   | 2,591   |
| <b>Javedan Corporation Limited -<br/>(Sponsor of the REIT / associate due to common directorship)</b>                           |   |
| - Subscription of units   | 1,400,000   |
| - Payment for partial land consideration  | 1,140,000   |
| - Expenses incurred on behalf of the REIT till March 31, 2022   | 849,437   |
| - Expenses incurred on behalf of the REIT from April 1, 2022 to June 30, 2022   | 281,960   |
| - Amounts received from customers on behalf of the REIT till March 31, 2022   | 1,410,553   |
| - Amounts received from customers on behalf of the REIT from April 1, 2022 to June 30, 2022                                     | 183,002   |
| - Repayment to the REIT in respect of amounts received from customers on behalf of the REIT from April 1, 2022 to June 30, 2022 | 143,516   |
| <b>Safe Mix Concrete Limited<br/>(Associate due to common directorship)</b>   |   |
| - Purchases of construction material  | 222,378   |
| <b>Haji Abdul Ghani<br/>(Associate due to sponsor of the REIT)</b>  |   |
| - Amounts received in respect of apartments sold from April 1, 2022 to June 30, 2022  | 38,989  |
| - Revenue in respect of apartments sold, recognised from April 1, 2022 to June 30, 2022   | 562,927   |
| <b>Arif Habib Limited<br/>(Associate due to common control)</b>   |   |
| - Amounts received in respect of apartments sold from April 1, 2022 to June 30, 2022  | 8,693   |
| - Revenue in respect of apartments sold, recognised from April 1, 2022 to June 30, 2022   | 103,064   |
| <b>Muhammad Kashif Habib<br/>(Close relative of a director)</b>   |   |
| - Revenue in respect of apartments sold, recognised from April 1, 2022 to June 30, 2022   | 10,252  |
| <b>Abdus Samad A. Habib<br/>(Director of Management Company)</b>  |   |
| - Revenue in respect of apartments sold, recognised from April 1, 2022 to June 30, 2022   | 5,194   |
| <b>Alamgir A Shaikh<br/>(Director of sponsor)</b>   |   |
| - Amounts received in respect of apartments sold from April 1, 2022 to June 30, 2022  | 653   |
| - Revenue in respect of apartments sold, recognised from April 1, 2022 to June 30, 2022   | 3,568   |
| <b>26.2 Amounts outstanding as at period end</b>  | <b>June 30, 2022<br/>(Rupees in '000)</b>                                       |
| <b>Arif Habib Dolmen REIT Management Limited -<br/>(Management Company)</b>   |   |
| - Payable in respect of formation cost  | 1,026   |
| - Payable in respect of development & other expenditure   | 2,631   |
| - Payable in respect of fees and subscriptions  | 150   |
| - Payable in respect of short term deposit  | 100   |
| <b>Arif Habib Development &amp; Engineering Consultants (Private) Limited -<br/>(Associate due to common directorship)</b>      |   |
| - Payable in respect of expenses incurred on behalf of the REIT   | 2,591   |

DA

**June 30, 2022**  
(Rupees in '000)

**Javedan Corporation Limited -**

**(Sponsor of the REIT / associate due to common directorship)**

|  |           |
|--|-----------|
| - Payable in respect of expenses incurred on behalf of the REIT till March 31, 2022                                  | 849,437   |
| - Payable in respect of expenses incurred on behalf of the REIT from April 1, 2022 to June 30, 2022                  | 281,960   |
| - Receivable in respect of amounts received from customers on behalf of the REIT till March 31, 2022                 | 1,410,553 |
| - Receivable in respect of amounts received from customers on behalf of the REIT from April 1, 2022 to June 30, 2022 | 39,486    |
| - Outstanding land consideration   | 700,000   |

**Safe Mix Concrete Limited**

**(Associate due to common directorship)**

|  |        |
|--|--------|
| - Payable in respect of purchases of construction material | 49,074 |
|--|--------|

**Haji Abdul Ghani**

**(Associate due to sponsor of the REIT)**

|  |         |
|--|---------|
| - Contract asset outstanding as at June 30, 2022 | 190,408 |
|--|---------|

**Arif Habib Limited**

**(Associate due to common control)**

|  |        |
|--|--------|
| - Contract asset outstanding as at June 30, 2022 | 39,338 |
|--|--------|

**Muhammad Kashif Habib**

**(Close relative of a director)**

|  |       |
|--|-------|
| - Contract asset outstanding as at June 30, 2022 | 8,485 |
|--|-------|

**Abdus Samad A. Habib**

**(Director of Management Company)**

|  |       |
|--|-------|
| - Contract asset outstanding as at June 30, 2022 | 2,366 |
|--|-------|

**Alamgir A Shaikh**

**(Director of sponsor)**

|  |       |
|--|-------|
| - Contract asset outstanding as at June 30, 2022 | 1,620 |
|--|-------|

**27 FINANCIAL RISK MANAGEMENT**

**27.1 Financial risk management framework**

The REIT's activities are exposed to a variety of financial risks namely credit risk, liquidity risk, and market risk. The REIT manage these risk through monitoring and controlling activities which are primarily set up to be performed based on limits established in the REIT's constitutive documents and REIT Regulation, 2015 and directives of the SECP. The Board of Directors of RMC supervises the overall risk management approach within the REIT.

**27.2 Credit Risk**

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The REIT attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties and arises principally from the REIT's receivables against sale of property, mobilization advance and deposits with banks.

The carrying amount of the financial assets represents maximum exposure to credit risk as at June 30, 2022:

| <b>Financial Asset</b>               | <b>2022</b><br>(Rupees in '000) |
|--------------------------------------|---------------------------------|
| Contract assets                      | 916,202                         |
| Receivables and deposits             | 318,742                         |
| Advance for development expenditures | 324,453                         |
| Bank balances                        | 160,122                         |
|                                      | <u>1,719,519</u>                |

The RMC and the Project Manager monitors customers' overdue balances on an ongoing basis. Credit evaluations are performed by the development advisor before sale agreements are entered into with clients.

The REIT has placed its funds with banks having sound credit ratings. The credit quality of REIT's major balances can be assessed with reference of external credit ratings as follows:

| Bank                 | Rating Agency | Short term rating | Long term rating | (Rupees in '000) | % of total balance |
|----------------------|---------------|-------------------|------------------|------------------|--------------------|
| Bank Alfalah Limited | PACRA         | A-1+              | AA+              | 160,111          | 99.99%             |
| Meezan Bank Limited  | VIS           | A-1+              | AAA              | 11               | 0.01%              |
|                      |               |                   |                  | <u>160,122</u>   | <u>100%</u>        |

### 27.3 Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The REIT's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the REIT's reputation.

The table below analyses the REIT's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the maturity date.

| Financial liabilities                   | 2022             |                        |                  |                    |
|---|------------------|------------------------|------------------|--------------------|
|   | Carrying amount  | Contractual cash flows | One year or less | More than one year |
|   | (Rupees in '000) |                        |                  |                    |
| Payable to the REIT Management Company  | 11,796           | 11,796                 | 11,796           | -                  |
| Commission payable                      | 524              | 524                    | 524              | -                  |
| Accrued expenses and other liabilities* | 80,198           | 80,198                 | 80,198           | -                  |
| Accrued profit on long term loan        | 14,487           | 14,487                 | 14,487           | -                  |
|   | <u>107,005</u>   | <u>107,005</u>         | <u>107,005</u>   | <u>-</u>           |

\* Other liabilities that are not financial liabilities (contract liabilities, sales tax and withholding income tax payable and income tax payable amounting to Rs. 66.02 million, Rs. 23.33 million and Rs. 36.28 million respectively) are not included.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### 27.4 Market risk

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

### 27.5 Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises where receivables and payable exist due to transactions in foreign currency. The REIT is not exposed to currency risk as of reporting date. There are no foreign currency denominated financial instruments held by the REIT.

### 27.6 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 interest rate exposure arises from bank balances and investments in term deposit receipts (TDRs) in profit or loss.

At the reporting date, the interest rate profile of REIT's interest-bearing financial instruments are as follows:

|                                  | Note | 2022<br>(Rupees in '000) |
|----------------------------------|------|--------------------------|
| <b>Fixed rate instrument</b>     |      |                          |
| Short term investment            |      | <u>-</u>                 |
| <b>Variable rate instruments</b> |      |                          |
| Saving account                   | 10   | <u>160,122</u>           |

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### a) Sensitivity analysis for fixed rate instruments

The REIT does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not have affected the after tax profit of the REIT.

The REIT does not have any fixed rate financial instrument at fair value through profit or loss, therefore, the REIT is not exposed to fair value changes for fixed rate instruments. However the bank and term deposit at variable rates expose the REIT to fluctuations in cash flow due to change in market profit rates. The cash flow sensitivity analysis for variable rate of instrument is depicted below:

### Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

|   | Profit or loss   |                  | Equity           |                  |
|---|------------------|------------------|------------------|------------------|
|   | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |
| ----- (Rupees in '000) -----                      |                  |                  |                  |                  |
| <b>As at June 30, 2022</b>                        |                  |                  |                  |                  |
| Cash flow sensitivity - variable rate instruments | 1,601            | (1,601)          | 1,601            | (1,601)          |

### 27.7 Other price risk

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The REIT is not exposed to other price risk.

### 28 CAPITAL RISK MANAGEMENT

Management's objective when managing unit holder's funds is to safeguard the REIT's ability to continue as a going concern so that it can continue to provide optimum returns based on income earned and realized gains as per trust deed to its unit holders and to ensure reasonable safety of unit holder's funds. The REIT is not exposed to externally imposed minimum unit holder's maintenance requirement.

The REIT manages its investment property and other assets by monitoring return on net assets and makes adjustment to it in the light of changes in market conditions.

|                          |                         |
|--------------------------|-------------------------|
|                          | <b>2022</b>             |
|                          | <b>(Rupees in '000)</b> |
| Debt                     | 1,400,000               |
| Total unit holders' fund | 1,584,407               |
| Total capital            | <u>2,984,407</u>        |

### 29 FAIR VALUE OF FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the REIT uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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 or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

#### 29.1 Accounting classifications and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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| 2022  |  |  |                                   |       |            |         |         |       |
|---|--|--|-----------------------------------|-------|------------|---------|---------|-------|
| Carrying amount   |  |  |                                   |       | Fair value |         |         |       |
| Financial assets<br>'at fair value<br>through other<br>comprehensive<br>Income' | Financial<br>assets 'at fair<br>value through<br>profit or loss' | Financial assets<br>'at amortised<br>cost' | Other<br>financial<br>liabilities | Total | Level 1    | Level 2 | Level 3 | Total |

(Rupees in '000)

**Financial assets - not measured at fair value**

|                                     |   |   |           |   |           |  |  |  |
|-------------------------------------|---|---|-----------|---|-----------|--|--|--|
| Contract assets                     | - | - | 1,033,674 | - | 1,033,674 |  |  |  |
| Receivables and deposits            | - | - | 318,744   | - | 318,744   |  |  |  |
| Advance for development expenditure | - | - | 324,453   | - | 324,453   |  |  |  |
| Bank balances                       | - | - | 160,122   | - | 160,122   |  |  |  |
|                                     | - | - | 1,836,993 | - | 1,836,993 |  |  |  |

**Financial liabilities - not measured at fair value**

|  |   |   |   |         |         |  |  |  |
|--|---|---|---|---------|---------|--|--|--|
| Payable to the REIT Management Company | - | - | - | 11,796  | 11,796  |  |  |  |
| Accrued expenses and other liabilities | - | - | - | 153,834 | 153,834 |  |  |  |
| Accrued markup on long term loan       | - | - | - | 14,487  | 14,487  |  |  |  |
| Payable to suppliers                   | - | - | - | 128,306 | 128,306 |  |  |  |
|  | - | - | - | 308,423 | 308,423 |  |  |  |

**30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the RMC on September 28, 2022.

**31 GENERAL**

These are the first financial statements of the REIT therefore, there are no corresponding figures from previous period to report.

For Arif Habib Dolmen REIT Management Limited  
(Management Company)



Chief Financial Officer



Chief Executive Officer



Director