ISE REIT MANAGEMENT COMPANY LIMITED

(Formerly ISE Realty Company Limited)

DIRECTORS REPORT

The Board of Directors of ISE REIT Management Company Limited formerly ISE Realty Company Limited **(the "Company")** is pleased to present its first Report, together with the audited financial statements of the Company for the year ended June 30, 2026, for the consideration and information of the members.

1. PRINCIPAL ACTIVITIES AND CORPORATE RESTRUCTURING

The principal activity of the Company is to undertake REIT Management Services in accordance with the Real Estate Investment Trust Regulations, 2022 (the "REIT Regulations"), applicable laws, rules and regulations, and the terms and conditions of the licence granted by the Securities and Exchange Commission of Pakistan ("SECP") to the Company to act as a REIT Management Company on May 18, 2026.

During the year under review, the Company was incorporated on October 21, 2025 as a public limited company, with its principal line of business being the marketing and development of all types of real estate.

Subsequently, the Board of Directors of the Company, at its meeting held on November 17, 2025, approved and recommended a Scheme of Arrangement and Restructuring (the "Scheme") for consideration and approval by the members of the Company. The Scheme was subsequently approved by the members at their meeting held on December 16, 2025, under the supervision of the Court-appointed Chairman.

The Scheme was thereafter sanctioned by the Honourable Islamabad High Court, Islamabad, vide its order dated February 18, 2026.

Pursuant to the Scheme, the name and principal business activities of the Company were changed, and the Company commenced its operations as a REIT Management Company in accordance with the REIT Regulations and the terms and conditions of the licence granted by the SECP.

2. BUSINESS AND OPERATIONS

During the year under review, immediately following its incorporation, the Company commenced its operations with a focus on implementing and launching REIT Schemes in accordance with the applicable regulatory framework. As a significant milestone, the Company successfully operationalised the ISE Towers REIT Scheme under the Special Purpose Vehicle ("SPV") model, which had been approved by the Securities and Exchange Commission of Pakistan ("SECP") in August 2023. The Scheme, with a total fund size of PKR 5.76 billion, was facilitated through a Scheme of Arrangement and Restructuring, which provided the requisite framework for the restructuring and establishment of the REIT Scheme.

Subsequent to the reporting date, on July 28, 2026, a total of 567,187,000 units of the Scheme were issued at a par value of PKR 10 per unit, representing an aggregate value of PKR 5.67 billion. The Company is currently pursuing the requisite regulatory and procedural formalities for listing of the units of the Scheme on the Pakistan Stock Exchange Limited, which is expected to be completed within six months.

In parallel, the Company continues to explore and evaluate opportunities for the establishment and launch of additional REIT Schemes, with a view to expanding its portfolio of managed REITs and

3. FINANCIAL PERFORMANCE

During its first reporting period, the Company closed the year with a strongly capitalised and predominantly investment-based balance sheet, reporting total assets of Rs. 3.243 billion and shareholders' equity of Rs. 3.195 billion, against total liabilities of only Rs. 47.9 million. The asset base primarily comprises long-term investments of Rs. 3.079 billion, while the Company remained free from bank borrowings and maintained a closing bank balance of Rs. 41.8 million. As the Company's core RMC operating activities did not commence during the period, no operating income was recorded, resulting in an operating loss of Rs. 8.6 million. Nevertheless, the Company's share of profit from associated companies amounted to Rs. 161.1 million contributed significantly to a profit after tax of Rs. 122.8 million, corresponding to earnings per share of Rs. 0.44.

Overall, the financial position reflects a substantially equity-funded capital structure with low liabilities, while profitability during the initial reporting period was principally attributable to returns from associated companies.

4. DIVIDEND

The Board of Directors did not recommend any dividend for the first financial year ended June 30, 2026.

5. SHARE CAPITAL

As of June 30, 2026, the authorized share capital of the Company was Rs. 2,800,000,000, divided into 280,000,000 ordinary shares of Rs. 10 each.

The paid-up share capital of the Company as of June 30, 2026, stood at Rs. 99,000,000, comprising 9,900,000 ordinary shares of Rs. 10 each.

During the year under review, the Company allotted 5,000,000 ordinary shares of Rs. 10 each to the shareholders of ISE Towers Limited, in accordance with the Scheme of Arrangement and pursuant to the conditions imposed by the Securities and Exchange Commission of Pakistan ("SECP") while considering and approving the Scheme of Arrangement.

Furthermore, the Company issued 4,900,000 ordinary shares of Rs. 10 each by way of right issue at par with its existing shareholders. The right issue was undertaken in compliance with the conditions imposed by the SECP in connection with the implementation of the Scheme of Arrangement and the restructuring of the Company.

Consequently, the paid-up share capital of the Company increased from Rs. 50,000,000 to Rs. 99,000,000 during the year under review.

6. REAL ESTATE / REIT SECTOR

During FY2026, Pakistan's REIT sector continued to develop as the regulatory framework evolved and market participants increasingly recognized REITs as a structured and transparent avenue for investment in the real estate sector. Regulatory measures aimed at improving the ease of doing business, facilitating investment and strengthening the overall REIT framework have provided greater clarity to market participants. The sector continued to benefit from improving macroeconomic conditions, particularly easing inflation and a more accommodative interest-rate environment, which supported investor sentiment and created a more favorable backdrop for real estate-related investments.

The year under review was also significant for the Company and the broader REIT sector as the implementation of the Scheme of Arrangement and the subsequent launch of the ISE Towers REIT Scheme represented an important development in the evolution of the REIT market. The transition of the underlying real estate assets and the conversion of the relevant shareholding into REIT Units demonstrated the practical application of the SPV-based REIT structure and provided an important avenue for existing shareholders to participate in the REIT Scheme.

The real estate sector showed signs of gradual recovery during FY2026, supported by improving macroeconomic stability, easing inflationary pressures and the reduction in interest rates. These developments helped improve investor sentiment and affordability, while demand for quality residential and commercial properties remained relatively resilient. Nevertheless, the sector continued to face challenges, including elevated construction and development costs, regulatory and approval-related constraints, financing limitations and subdued overall purchasing power. Continued policy consistency, improved regulatory coordination and greater access to institutional investment remain important for sustainable growth of the sector.

Looking ahead, the outlook for Pakistan's REIT sector remains positive. The continued development of the regulatory framework, improving macroeconomic conditions, greater investor awareness and the increasing participation of institutional investors are expected to support the expansion of the sector. REITs have the potential to mobilize substantial domestic and institutional capital and channel it towards professionally managed real estate and infrastructure projects. The successful implementation of the ISE Towers REIT Scheme is expected to further strengthen the Company's position as a participant in this emerging investment class and provide a platform for future growth and diversification within the REIT sector.

7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As the Company was newly incorporated during the year under review and commenced its operations during the period, it is in the process of developing its corporate social responsibility ("CSR") framework and initiatives. The Company is committed to fulfilling its responsibilities towards the community and broader society and intends to initiate appropriate CSR activities in the near future, focusing on areas that are aligned with its values and can contribute meaningfully to social and community development. The Board and management remain committed to integrating responsible and sustainable practices into the Company's operations and will continue to evaluate suitable opportunities for contributing to the well-being of society.

8. CORPORATE STRATEGY AND FUTURE OUTLOOK

The Company's corporate strategy is focused on establishing itself as a leading REIT Management Company by developing and managing diversified REIT Schemes in accordance with the applicable regulatory framework. Building on the successful implementation of the ISE Towers REIT Scheme, the Company intends to leverage its expertise and market opportunities to identify and develop viable real estate projects for future REIT Schemes. The Company will continue to explore strategic opportunities, strengthen its operational capabilities, and maintain a prudent and sustainable approach to business growth. The management remains optimistic about the Company's future prospects and is committed to creating long-term value for its unitholders, shareholders and other stakeholders.

9. GOVERNANCE

The Company recognizes the importance of sound corporate governance practices and remains committed to maintaining high standards of transparency, accountability and integrity in the conduct of its affairs. The Company intends to comply with the applicable requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019

("CCG Regulations"), to the extent applicable, and to implement the principles of good corporate governance in their true spirit.

The Company was granted its licence to undertake REIT Management Services on May 18, 2026, and the financial year ended on June 30, 2026. Accordingly, the period between the grant of the licence and the close of the financial year was limited. In view of the limited period of operations following the grant of the licence, the Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2026 could not be reviewed by the auditors.

The Company is committed to ensuring full compliance with the applicable corporate governance requirements in future and shall continue to strengthen its governance framework, policies and internal processes in accordance with the CCG Regulations and other applicable laws and regulatory requirements.

10. BOARD OF DIRECTORS

The Company boasts a robust and well-rounded Board of Directors, comprising individuals with a diverse range of skills, expertise, and experience, ensuring a rich tapestry of perspectives and knowledge that effectively guides the Company's strategic direction. The Board of the Company comprises eleven (11) Directors, including six (6) Non-Executive Directors (NEDs) having representation of shareholders and four (4) Independent Directors (IDs). The Chief Executive Officer (CEO) is an ex-officio member of the Board. Current composition of the Board is as under:

Representing Shareholders (NED):

1) Mr. Haroon Ihsan Piracha
2) Mr. Adil Khan Swati
3) Mr. Haider Khaqan Abbasi
4) Ms. Marium
5) Mr. Sohail Altaf
6) Mr. Zahid Latif Khan

Independent Director (ID):*

7) Mr. Muhammad Shareef

*During the year under review, three casual vacancies arose on the Board in respect of Independent Directors. The Company is in the process of filling these vacancies in accordance with the applicable provisions of the Companies Act, 2017, the relevant regulatory requirements and the Company's Articles of Association.

Chief Executive Officer – Executive Director

8) Mr. Sagheer Mushtaq

Mr. Haroon Ihsan Piracha, NED, is the Chairman of the Board.

The Company was incorporated on October 21, 2025 and during the year, seven (7) meetings of the Board of Directors were held. Directors' respective attendance in the Board meetings was as follows:

Sr. #	Name of Director	Category	Attendance
1	Mr. Haroon Ihsan Piracha	Non-Executive Director	7/7
2	Mr. Adil Khan Swati	Non-Executive Director	7/7
3	Mr. Haider Khaqan Abbasi	Non-Executive Director	7/7
4	Mr. Zahid Latif Khan	Non-Executive Director	7/7
5	Mr. Sohail Altaf	Non-Executive Director	7/7
6	Ms. Marium	Non-Executive Director	7/7
7	Mr. Muhammad Sharif	Independent Director	1/7

In compliance with Section 227 of the Companies Act, 2017, the followings are hereby specifically disclosed:

The names of the persons who, at any time during the financial year, were directors of the Company:

Sr. #	Name of Director	Category
1	Mr. Haroon Ihsan Piracha	Non-Executive Director
2	Mr. Adil Khan Swati	Non-Executive Director
3	Mr. Haider Khaqan Abbasi	Non-Executive Director
4	Mr. Zahid Latif Khan	Non-Executive Director
5	Mr. Sohail Altaf	Non-Executive Director
6	Ms. Marium	Non-Executive Director
7	Mr. Muhammad Sharif	Independent Director
8	Mr. Muhammad Masud	Independent Director
9	Mr. Muhammad Asad Ghani	Independent Director
10	Mr. Muhammad Farooq Iqbal	Independent Director
11	Ms. Minahil Ali	Independent Director

COMMITTEES OF THE BOARD

The Company was granted its licence to undertake REIT Management Services on May 18, 2026, while the financial year ended on June 30, 2026. Accordingly, the period between the grant of the licence and the close of the financial year was limited. In view of the limited period available following the grant of the licence and the Company being in the initial phase of operationalization, the Board Committees could not be constituted during the year under review.

The Company is committed to constituting the requisite Board Committees in accordance with the applicable laws, regulations and regulatory requirements and shall ensure that the governance framework is duly strengthened as the Company progresses towards full operationalization.

11. DIRECTORS' TRAINING

To uphold the highest standards of corporate governance, the Company recognizes the importance of ongoing education and training for its directors, ensuring they possess the necessary skills and knowledge to make informed decisions and provide effective leadership. Out of the current composition of the Board, three (3) Directors of the Company are certified Directors as per the requirements of CCG. The rest of the directors shall be imparted this training in due course.

12. ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, BOARD'S COMMITTEES AND INDIVIDUAL DIRECTORS

The Company was granted its licence to undertake REIT Management Services on May 18, 2026, and the financial year ended on June 30, 2026. Accordingly, the period between the grant of the licence and the close of the financial year was limited. In view of the limited period of operations following the grant of the licence.

The Company is committed to ensuring full compliance with the applicable corporate governance requirements in future and shall continue to strengthen its governance framework, policies and internal processes in accordance with the CCG Regulations and other applicable laws and regulatory requirements.

13. DIRECTORS' REMUNERATION

All the Non-Executive Directors/Independent Directors are entitled to a fixed fee for attending Board meetings as approved by the Board. The CEO is the only executive director on the Board. He is entitled to salary and a company-maintained car as approved by the Board. No fee is paid to CEO for attending the board meetings. The details are also given in the financial statements of the Company.

14. DIRECTORS' COMPLIANCE STATEMENT

The Board confirms that:

- Proper books of accounts have been maintained.
- The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- There is no significant doubt on the Company's ability to continue as going concern.
- Appropriate accounting policies have been consistently applied in preparation of financial statements which conform to the International Financial Reporting Standards, as applicable in Pakistan. The accounting estimates, wherever required, are based on reasonable and prudent judgment.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There is no material departure from the best practices of corporate governance.

15. INTERNAL AUDIT

The Company was granted its licence to undertake REIT Management Services on May 18, 2026, while the financial year ended on June 30, 2026. Accordingly, the period between the grant of the licence and the close of the financial year was limited. In view of the limited period available following the grant of the licence and the Company being in the initial phase of operationalization, the Internal Audit Department could not be established during the year under review.

The Company recognizes the importance of an effective internal audit function in strengthening its internal control environment, risk management framework and governance processes. The Company is committed to establishing an appropriately structured and independent Internal Audit Department in accordance with the applicable laws, regulations and regulatory requirements as the Company progresses towards full operationalization.

16. ETHICS AND COMPLIANCE

'Code of Conduct' has been disseminated to all Directors and employees of the Company in compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019.

17. LEGAL MATTERS

As at the date of this report, no litigation, claims or proceedings are pending by or against the Company.

18. APPOINTMENT OF AUDITORS

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BDO Ebrahim & Co. Chartered Accountants, auditors of the Company for the FY 2025-26 stands retire and being eligible, have offered themselves for reappointment for the term 2026-2027. The Board recommend the reappointment of BDO Ebrahim & Co. Chartered Accountants as statutory auditors of the Company for the year 2026-2027 at the remuneration, to be approved by general body at Annual General Meeting, which will also cover the charges for review of half yearly accounts and review of Compliance Statement under Corporate Governance practices in terms of Listed Companies (Code of Corporate Governance) Regulations, 2019.

The external auditors have been given satisfactory rating under the Quality Control Review Program of Institute of Chartered Accountants of Pakistan (ICAP). They have confirmed that their firm is in compliance with provisions of Listed Companies (Corporate Governance) Regulations 2019 and International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

The external auditors have not been appointed to provide any other service which may impair their independence and they have confirmed having observed IFAC guidelines in this respect.

19. PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at June 30, 2026 along with the necessary information is annexed to this report.

20. ACKNOWLEDGEMENT

The Board of Directors extends its gratitude to the Government of Pakistan, SECP, FBR, and other regulatory bodies for their continued support. We also acknowledge the trust and confidence of our shareholders, customers, employees, and other stakeholders who remain the driving force behind the Company's success.

For and on behalf of the Board

Haroon Ihsan Piracha
Non-Executive Director/Chairman

Sagheer Mushtaq
Chief Executive Officer

Islamabad, 18-09, 2026