

IGB REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the period ended 31 March 2013

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IGB Real Estate Investment Trust

Condensed Statement of Comprehensive Income

(The figures have not been audited)

	Quarter		Period-To-Date	
	31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Gross rental income	78,433	-	78,433	-
Other income	22,952	-	22,952	-
Total revenue	101,385	-	101,385	-
Utilities expenses	(11,236)	-	(11,236)	-
Maintenance expenses	(4,660)	-	(4,660)	-
Quit rent and assessment	(2,815)	-	(2,815)	-
Other operating expenses	(13,550)	-	(13,550)	-
Property operating expenses	(32,261)	-	(32,261)	-
Net property income	69,124	-	69,124	-
Interest income	1,105	-	1,105	-
Changes in fair value of investment properties	-	-	-	-
Net investment income	70,229	-	70,229	-
Manager's management fee	(7,040)	-	(7,040)	-
Trustees' fee	(69)	-	(69)	-
Other trust expenses	(152)	-	(152)	-
Borrowings costs	(13,657)	-	(13,657)	-
Profit before taxation	49,311	-	49,311	-
Taxation	-	-	-	-
Profit after taxation	49,311	-	49,311	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	49,311	-	49,311	-
Distribution adjustments ^{*1}	8,502	-	8,502	-
Distributable income	57,813	-	57,813	-
Profit for the period comprise the following:				
- Realised	49,311	-	49,311	-
- Unrealised	-	-	-	-
	49,311	-	49,311	-
Basic earnings per unit (sen)				
- before Manager's management fee	1.65	-	1.65	-
- after Manager's management fee	1.45	-	1.45	-

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Condensed Statement of Comprehensive Income (continued)

(The figures have not been audited)

Note:

*1 *The composition of distribution adjustments is as follows:*

	Quarter		Period-To-Date	
	31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Changes in fair value on investment properties	-	-	-	-
Manager's management fee payable in units	7,040	-	7,040	-
Amortisation of fit-out incentives	513	-	513	-
Amortisation of capitalised borrowing costs	509	-	509	-
Depreciation of plant & machinery	440	-	440	-
Distribution Adjustments	8,502	-	8,502	-

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying notes attached to this Interim Financial Report.

No comparative figures are available as IGB REIT was constituted on 25 July 2012. The acquisitions of the investment properties by IGB REIT were completed on 20 September 2012 and IGB REIT was listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012.

IGB Real Estate Investment Trust

Condensed Statement of Financial Position

(The figures have not been audited)

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Non-current assets		
Investment properties	4,700,000	4,700,000
Plant and equipment	12,249	12,266
	4,712,249	4,712,266
Current assets		
Receivables	23,542	42,116
Cash and cash equivalents	120,717	137,752
	144,259	179,868
TOTAL ASSETS	4,856,508	4,892,134
Non-current liabilities		
Borrowings	1,193,891	1,193,382
Payables and accruals	47,317	45,987
	1,241,208	1,239,369
Current liabilities		
Borrowings	12,559	27,606
Payables and accruals	61,534	141,115
	74,093	168,721
TOTAL LIABILITIES	1,315,301	1,408,090
NET ASSET VALUE ('NAV')	3,541,207	3,484,044
FINANCED BY:		
Unitholders' fund		
Unitholders' capital	4,250,937	4,243,085
Accumulated losses	(759,041)	(912,333)
Current period profit	49,311	153,292
TOTAL UNITHOLDERS' FUND	3,541,207	3,484,044
Number of units in circulation ('000 units)	3,405,782	3,400,000
NAV (RM)		
- Before income distribution	3,541,207	3,546,377
- After income distribution	3,483,401*	3,484,044
NAV per unit (RM)		
- Before income distribution	1.0398	1.0431
- After income distribution	1.0228*	1.0247

*Note: * No distribution was declared for the current financial period ended 31 March 2013.*

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Condensed Statement of Financial Position (continued)

(The figures have not been audited)

The unaudited condensed statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust**Condensed Statement of Changes in Net Asset Value***(The figures have not been audited)*

	Unitholders' Capital RM'000	Accumulated Losses RM'000	Total Unitholders' Fund RM'000
As at 1 January 2013	4,243,085	(759,041)	3,484,044
Total comprehensive income for the period	-	49,311	49,311
Unitholders' transactions			
- Issue of new units			
Manager's management fee paid in units	7,852*	-	7,852
Increase in net assets resulting from unitholders' transactions	7,852	-	7,852
As at 31 March 2013	4,250,937	(709,730)	3,541,207

The unaudited condensed statement of changes in net asset value should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to this Interim Financial Report.

No comparative figures are available as IGB REIT was constituted on 25 July 2012. The acquisitions of the investment properties by IGB REIT were completed on 20 September 2012 and IGB REIT was listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012.

Issue of new units consists of the followings:

	Units '000	Amount RM'000
Manager's management fee for the financial year ended 31 December 2012 paid in units	5,782	7,852*

IGB Real Estate Investment Trust**Condensed Statement of Cash Flows***(The figures have not been audited)*

	Period-To-Date 31.03.2013 RM'000	Period-To-Date 31.03.2012 RM'000
Operating activities		
Profit before tax	49,311	-
Adjustment for:		
Non-cash items	7,993	-
Non-operating items	12,552	-
Operating profit before changes in working capital	69,856	-
Net change in current assets	18,061	-
Net change in current liabilities	(16,866)	-
Net cash generated from operating activities	71,051	-
Investing activities		
Purchase of plant and equipment	(423)	-
Interest received	1,105	-
Net cash generated from investing activities	682	-
Financing activities		
Interest paid	(26,442)	-
Distribution paid to unitholders	(62,326)	-
Net cash used in financing activities	(88,768)	-
Net decrease in cash and cash equivalents	(17,035)	-
Cash and cash equivalents at beginning of period	137,752	-
Cash and cash equivalents at end of period	120,717	-

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to this Interim Financial Report.

No comparative figures are available as IGB REIT was constituted on 25 July 2012. The acquisitions of the investment properties by IGB REIT were completed on 20 September 2012 and IGB REIT was listed on Bursa Securities on 21 September 2012.

Part A – Disclosure Requirements Pursuant to Malaysian Financial Reporting Standards (MFRS) 134

A1 Basis of preparation

This Interim Financial Report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Securities Commission’s Guidelines on Real Estate Investment Trust. This Interim Financial Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 (“AFS”) and the accompanying notes attached to this Interim Financial Report. The accounting policies and methods of computation adopted in this Interim Financial Report are consistent with those disclosed in the AFS except for the following:

MFRS 13	Fair value measurement
Amendment to MFRS 101	Presentation of items of other comprehensive income
Amendment to MFRS 7	Financial instruments: Disclosures

Save as disclosed in this Interim Financial Report, the adoption of the revised MFRSs and Amendments to MFRSs that are applicable to IGB REIT and effective from 1 January 2013 has no material effect to IGB REIT’s financial statements of the current financial period.

A2 Auditors’ report of preceding financial statements

The auditors’ report for the financial year ended 31 December 2012 was not subject to any audit qualification.

A3 Seasonal or cyclical factors

IGB REIT’s operations were not significantly affected by seasonal or cyclical factors.

A4 Significant unusual items

There were no significant unusual items that affect the assets, liabilities, equity, net property income or cash flow during the current period-to-date under review.

A5 Material changes in estimates

There was no material change in estimates.

A6 Debt and equity securities

Save for the issuance of approximately 5.782 million new units of IGB REIT at RM1.358 per unit on 6 February 2013 as payment of Manager’s management fee, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period-to-date.

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A7 Income distribution

Based on the deed of trust between IGB REIT Management Sdn Bhd (“Manager”) and AmTrustee Berhad (“Trustee”) dated 18 July 2012 (“Deed”), the Manager intends to distribute at least 90% of IGB REIT’s distributable income on a half-yearly basis for each consecutive 6-month period on and ending 30 June and 31 December of each financial year (or such other intervals as the Manager may determine at its absolute discretion).

As disclosed in the Prospectus, the Manager intends to distribute up to 100% of IGB REIT’s distributable income for the period from the date of establishment of IGB REIT i.e. 25 July 2012 to 31 December 2014.

No distribution was declared for the current financial period ended 31 March 2013.

A8 Segmental reporting

The segmental financial information by operating segments is not presented as IGB REIT is the owner of Mid Valley Megamall and The Gardens Mall of which the entire business is considered as one operating segment and both are located in Kuala Lumpur, Malaysia.

A9 Valuation of investment properties

A revaluation to assess the market value of Mid Valley Megamall and The Gardens Mall has been conducted by Henry Butcher Malaysia Sdn Bhd. Based on valuation letters dated 4 April 2013, the market value of Mid Valley Megamall and The Gardens Mall remained at RM3.5 billion and RM1.2 billion respectively.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current period-to-date under review up to the date of this Interim Financial Report.

A11 Changes in the composition of IGB REIT

IGB REIT’s fund size increased from 3,400.000 million units to 3,405.782 million units arising from the issuance of new units as set up in Note A6.

A12 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 31 March 2013.

A13 Capital commitment

There were no major capital commitments as at 31 March 2013.

Part B – Additional Disclosures Pursuant to Paragraph 9.44 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad

B1 Review of performance

For the current quarter and period-to-date, IGB REIT's revenue and net property income, mainly from the gross rental income of Mid Valley Megamall and The Gardens Mall, were RM101.4 million and RM69.1 million respectively, resulting in profit before taxation of RM49.3 million.

Year-to-date's distributable income for the 3 months ended 31 March 2013 was RM57.8 million or 1.69 sen per unit, mainly from realised income of RM49.3 million and non-cash adjustments arising from Manager's management fee payable in units of RM7.0 million.

B2 Material changes in quarterly results

For the current quarter ended 31 March 2013, IGB REIT's revenue was RM101.4 million, representing 1.55% decrease over the immediate preceding quarter ended 31 December 2012 of RM103.0 million. This was mainly due to lower percentage rent in current quarter.

IGB REIT recorded a net property income for the current quarter ended 31 March 2013 of RM69.1 million, approximately 2.67% higher, compared with net property income of RM67.3 million in the immediate preceding quarter. This was mainly due to lower advertising and promotion expenses in current quarter.

B3 Prospects

“The retail sector in Greater Kuala Lumpur continues to outperform other property sectors, evidenced by continued institutional investment interest in quality assets and the reception to the IGB REIT by investors. Average occupancy rate for a sample of 52 significant retail centers improved by nearly 100 basis points to 89.5%, partly driven by a lack of new supply and strong demand for existing retail space.

Recent patterns of development have focused around emerging townships or areas previously underserved by quality retail space, and this trend is expected to continue. Competition among so-called ‘regional’ retail centres of above 1 million sq ft net lettable area is considerable, with at least 3 to 4 such additional centers scheduled for completion by 2016/2017. Prime rents have increased by nearly 150% over the past decade. The last round of notable increases was in 2010 and so expectations are for another round of rental growth in 2013, at least in the leading centres.

The number of prime-grade malls in the Klang Valley is scarce and the yields of these malls have been compressed. Whilst these malls rarely become available for sale in the market, it is anticipated that prime-grade malls in the Klang Valley are being sought after by both investors and retailers.”

(Source: CBRE, Malaysia)

In view of the above, the Manager expects its financial performance for the year ending 31 December 2013 to be satisfactory.

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B4 Profit forecast

A comparison of actual financial results for the financial period ended 31 March 2013 against pro-rated profit forecast for 12-month ending on 31 December 2013 as disclosed in the Prospectus of IGB REIT dated 27 August 2012 is as follows:

	Actual results 3-month period RM'000	Pro-rated profit forecast 3-month period RM'000	Profit forecast 12-month period RM'000
Gross rental income	78,433	79,157	321,026
Other income	22,952	21,471	87,077
Total revenue	101,385	100,628	408,103
Utilities expenses	(11,236)	(11,899)	(48,256)
Maintenance expenses	(4,660)	(5,301)	(21,498)
Quit rent and assessment	(2,815)	(2,602)	(10,554)
Other operating expenses	(13,550)	(12,625)	(51,203)
Property operating expenses	(32,261)	(32,427)	(131,511)
Net property income	69,124	68,201	276,592
Interest income	1,105	1,056	4,284
Changes in fair value of investment properties	-	-	-
Net investment income	70,229	69,257	280,876
Manager's management fee	(7,040)	(6,833)	(27,711)
Trustee's fee	(69)	(69)	(280)
Other trust expenses	(152)	(493)	(2,000)
Borrowings costs	(13,657)	(13,510)	(54,791)
Profit before taxation	49,311	48,352	196,094
Taxation	-	-	-
Profit after taxation	49,311	48,352	196,094
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the period	49,311	48,352	196,094
Distribution adjustments	8,502	8,478	34,382
Distributable income	57,813	56,830	230,476

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B4 Profit forecast (continued)

A summary of total revenue and net property income of both Mid Valley Megamall and The Gardens Mall is as follows:

	Actual results 3-month period RM'000	Pro-rated profit forecast 3-month period RM'000	Profit forecast 12-month period RM'000
<i>Total Revenue</i>			
Mid Valley			
Megamall	71,885	71,555	290,197
The Gardens Mall	29,500	29,073	117,906
Total	<u>101,385</u>	<u>100,628</u>	<u>408,103</u>
<i>Net Property Income</i>			
Mid Valley			
Megamall	52,515	52,027	211,000
The Gardens Mall	16,609	16,174	65,592
Total	<u>69,124</u>	<u>68,201</u>	<u>276,592</u>

B5 Investment objectives and strategies

The Manager's key objective for IGB REIT is to provide the unitholders with regular and stable distributions and achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure. The Manager intends to increase the income and the value of the investment properties through active asset management, asset enhancement initiatives, acquisition growth as well as capital and risk management strategy strategies.

B6 Portfolio composition

During the financial period under review, the portfolio of IGB REIT consists of two (2) investment properties, Mid Valley Megamall and The Gardens Mall.

B7 Utilisation of proceeds raised from issuance of new units

A total of 5.782 million new units were issued by IGB REIT as payment of Manager's management fee for the financial year ended 31 December 2012.

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B8 Taxation

(i) *Taxation of IGB REIT*

IGB REIT is regarded as Malaysian resident for Malaysian income tax purpose since the Trustee of IGB REIT is resident in Malaysia.

The income of IGB REIT, will be taxable at the normal corporate tax rate, currently at 25%.

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967 however, exempts IGB REIT from such taxes in a year of assessment (“YA”) if IGB REIT distributes at least 90% of its total taxable income in the same YA.

If less than 90% of its total taxable income is distributed in a YA, then the tax transparency system under Section 61A of the Act would not apply and total taxable income of IGB REIT would continue to be taxed, currently at the prevailing rate of 25%. Income which has been taxed at IGB REIT level will have tax credits attached when subsequently distributed to unitholders.

As the Manager intends to declare 100% of the distributable income of IGB REIT to unitholders for the financial year ending 31 December 2013, no provision for taxation has been made for the current financial period ended 31 March 2013.

Generally, gains on disposal of investments by IGB REIT are regarded as capitals gains and hence, will not be subject to income tax. However, where the investments represent real properties and shares in real property companies, such gains will be subject to real property gain tax (“RPGT”).

With effect from 1 January 2012, any gains on disposal of real properties or shares in real property companies would be subject to RPGT at the following rates:

Disposal time frame	Rates
Disposal within 2 years of acquisition	10%
Disposal after 2 years and within 5 years of acquisition	5%
Disposal after 5 years of acquisition	RPGT exempted

B8 Taxation (continued)

(ii) Taxation of Unitholders

The tax treatment is dependent on whether IGB REIT has distributed 90% or more of its total taxable income.

(a) REIT distributes 90% or more of taxable income

Where 90% or more of the REIT’s total taxable income is distributed by IGB REIT, distributions to unitholders will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Withholding tax rate
Individuals & All Other Non-Corporate Investors such as institutional investors (resident and non-resident)	10%
Non-resident corporate investors	25%
Resident corporate investors	0%

(b) REIT distributes less than 90% of taxable income

Where less than 90% of the total taxable income is distributed by IGB REIT, the IGB REIT is not entitled to Section 61A of the Act exemption. IGB REIT would have paid taxes on the taxable income for the year. The distributions made by IGB REIT of such taxed income will have tax credits attached. The tax treatment for unitholders would be as follows:-

- Resident individuals will be subject to tax at their own marginal rates on the distributions and be entitled to tax credits representing tax already paid by IGB REIT.
- Resident corporate investors are required to report the distributions from REITs in their normal corporate tax return and bring such income to tax at the normal corporate tax rate, currently 25%. Where tax has been levied at IGB REIT level, the resident corporate investors are entitled to tax credits.
- No further taxes or withholding tax would be applicable to foreign unitholders. Foreign unitholders may be subject to tax in their respective jurisdictions depending on the provisions of their country’s tax legislation and the entitlement to any tax credits would be dependent on their home country’s tax legislation.

Distributions representing specific exempt income or gains on disposal of investments at IGB REIT level will not be subject to further income tax when distributed to all unitholders.

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B9 Status of corporate proposal

There were no corporate proposals announced but not completed as at the date of this Interim Financial Report.

Below is a brief update on the status of application of strata titles for Mid Valley Megamall and The Gardens Mall:

For Mid Valley Megamall, the amalgamation of Lot 80 and Lot 25 has been submitted to Pejabat Pengarah Tanah dan Galian, Wilayah Persekutuan Kuala Lumpur via Pusat Setempat, Dewan Bandaraya Kuala Lumpur on 23 April 2013. The strata title application would be finalised after the amalgamation is completed.

For The Gardens Mall, the strata title application submitted on 29 January 2013 to Pejabat Pengarah Tanah dan Galian, Wilayah Persekutuan Kuala Lumpur, is being processed.

B10 Borrowings and debt securities

IGB REIT's borrowings and debts securities as at 31 March 2013 were as follows:

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Non-current borrowings		
- secured term loans	1,193,891	1,193,382
Current borrowings		
- secured revolving credit	12,559	27,606
	<u>1,206,450</u>	<u>1,220,988</u>

All borrowings are denominated in Ringgit Malaysia.

B11 Material litigation

The Board of Directors of the Manager is not aware of any pending material litigation as at the date of this Interim Financial Report.

B12 Soft commission received

There was no soft commission received by the Manager and/or its delegates during the current year period-to-date under review.

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B13 Summary of NAV, EPU, DPU and market price

	Unit of measurement	Current quarter ended 31.03.2013 RM' 000	Immediate preceding quarter ended 31.12.2012 RM' 000
Number of units in issue	units	3,405,782	3,400,000
Net Asset Value ("NAV")	RM'000	3,541,207	3,484,044
NAV per unit	RM	1.0398	1.0247
Total comprehensive income	RM'000	49,311	146,887* ¹
Weighted average number of units in issue	units	3,405,782	3,400,000
Earnings per unit ("EPU") after Manager's management fee	sen	1.45	4.32* ¹
Distribution per unit ("DPU")	sen	1.69* ²	1.61
Closing market price per unit	RM	1.41	1.33

Notes:

*¹ Including fair value gain on investment properties of RM100 million.

*² Indicated distributable income per unit as no distribution was declared for the current financial period ended 31 March 2013.

B14 Manager's management fee

Based on the Deed, the Manager is entitled to receive the following fees from IGB REIT:

- (i) Base fee of 0.3% per annum on the total assets value;
- (ii) Performance fee of 5.0% per annum of net property income;
- (iii) Acquisition fee of 1.0% of the transaction value of any real estate and real estate related assets directly or indirectly acquired from time to time by the Trustee; and
- (iv) Divestment fee of 0.5% of the transaction value of any real estate and real estate related assets directly or indirectly sold or divested from time to time by the Trustee.

Total fees accrued to the Manager for the current period-to-date under review were RM7,040,000.

Type	Quarter 31.03.2013 RM'000	Quarter 31.03.2012 RM'000	Period-to- date 31.03.2013 RM'000	Period-to- date 31.03.2012 RM'000
Base fee	3,584	-	3,584	-
Performance fee	3,456	-	3,456	-
Total	<u>7,040</u>	<u>-</u>	<u>7,040</u>	<u>-</u>

100% of the total Manager's management fee would be payable in units.

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B15 Trustee fee

Based on the Deed, an annual trustee fee of up to 0.03% per annum of the net asset value of IGB REIT, subject to maximum of RM280,000 per annum, is to be paid to the Trustee.

B16 Unitholdings of the Manager and parties related to the Manager

Based on the register of unitholders of IGB REIT, the unitholdings of the Manager and parties related to the Manager as at 31 March 2013 were as follows:

Major unitholders of IGB REIT	Direct		Indirect	
	No. of units	%	No. of units	%
IGB Corporation Berhad	1,733,617,754	50.90	5,868,539	0.17
Goldis Berhad	41,234,424	1.21	1,741,120,923	51.12
Robert Tan Chung Meng	7,289,081	0.21	1,794,067,449	52.68
Pauline Tan Suat Ming	1,080,898	0.03	1,794,067,449	52.68
Tony Tan @ Choon Keat	1,000,000	0.03	1,794,067,449	52.68
Tan Chin Nam Sdn Bhd	4,282,888	0.13	1,791,288,982	52.60
Tan Kim Yeow Sdn Bhd	2,879,665	0.08	1,791,187,784	52.59
Wah Seong (Malaya) Trading Co. Sdn Bhd	6,079,992	0.18	1,784,782,447	52.40

B17 Responsibility statement

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.44 of the Main Market Listing Requirements of Bursa Securities so as to give a true and fair view of the financial position of IGB REIT as at 31 March 2013 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 28 May 2013.