

IGB REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3-month ended 30 June 2014

Contents

	Page
Condensed Statement of Comprehensive Income	1-2
Condensed Statement of Financial Position	3
Condensed Statement of Changes in Net Asset Value	4
Condensed Statement of Cash Flows	5
Part A - Disclosure requirements pursuant to Malaysian Financial Reporting Standards (MFRS) 134	6-8
Part B - Additional disclosures pursuant to Paragraph 9.44 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)	9-15

IGB Real Estate Investment Trust

Condensed Statement of Comprehensive Income

(The figures have not been audited)

	Quarter		Period-To-Date	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Gross rental income	89,649	82,129	178,001	160,562
Other income	25,828	24,916	51,615	47,868
Gross revenue	115,477	107,045	229,616	208,430
Utilities expenses	(14,188)	(12,496)	(28,006)	(23,732)
Maintenance expenses	(4,447)	(5,790)	(9,420)	(10,450)
Quit rent and assessment	(6,548)	(2,465)	(13,066)	(5,280)
Reimbursement costs	(9,440)	(10,744)	(19,081)	(24,182)
Other operating expenses	(2,201)	(4,988)	(3,907)	(5,100)
Property operating expenses	(36,824)	(36,483)	(73,480)	(68,744)
Net property income	78,653	70,562	156,136	139,686
Interest income	1,397	1,246	2,986	2,351
Changes in fair value on investment properties	-	-	-	-
Net investment income	80,050	71,808	159,122	142,037
Manager fee	(7,688)	(7,190)	(15,252)	(14,230)
Trustees' fee	(70)	(70)	(139)	(139)
Other trust expenses	(158)	(189)	(365)	(341)
Borrowings costs	(13,633)	(13,633)	(27,120)	(27,290)
Profit before taxation	58,501	50,726	116,246	100,037
Taxation	-	-	-	-
Profit after taxation	58,501	50,726	116,246	100,037
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	58,501	50,726	116,246	100,037
Distribution adjustments ^{*1}	9,039	8,469	17,952	16,971
Distributable income	67,540	59,195	134,198	117,008
Profit for the period comprise the following:				
- Realised	58,501	50,726	116,246	100,037
- Unrealised	-	-	-	-
	58,501	50,726	116,246	100,037
Basic earnings per unit (sen)				
- before Manager fee	1.93	1.70	3.83	3.35
- after Manager fee	1.71	1.49	3.39	2.93

IGB Real Estate Investment Trust

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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Changes in fair value on investment properties	-	-	-	-
Manager fee payable in units	7,688	7,190	15,252	14,230
Amortisation of fit-out incentives	496	496	992	1,009
Amortisation of capitalised borrowing costs	340	339	679	848
Depreciation of plant & machinery	515	444	1,029	884
Distribution Adjustments	9,039	8,469	17,952	16,971

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 (“AFS FY2013”) and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust

Condensed Statement of Financial Position

(The figures have not been audited)

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Non-current assets		
Investment properties	4,805,000	4,805,000
Plant and equipment	10,967	11,202
	4,815,967	4,816,202
Current assets		
Receivables	16,809	26,139
Cash and bank balances	228,040	217,148
	244,849	243,287
TOTAL ASSETS VALUE ("TAV")	5,060,816	5,059,489
FINANCED BY:		
Unitholders' fund		
Unitholders' capital	4,287,347	4,272,546
Accumulated losses	(688,206)	(759,041)
Current period profit	116,246	311,945
Income distribution	(134,198)	(241,110)
Total unitholders' fund	3,581,189	3,584,340
Non-current liabilities		
Borrowings	1,195,588	1,194,909
Payables and accruals	49,012	48,469
	1,244,600	1,243,378
Current liabilities		
Borrowings	27,606	27,606
Payables and accruals	207,421	204,165
	235,027	231,771
Total liabilities	1,479,627	1,475,149
TOTAL UNITHOLDERS' FUND AND LIABILITIES	5,060,816	5,059,489
Number of units in circulation ('000 units)	3,435,218	3,422,620
NET ASSET VALUE ("NAV") (RM)		
- Before income distribution	3,715,387	3,825,450
- After income distribution	3,581,189	3,584,340
NAV per unit (RM)		
- Before income distribution	1.0816	1.1177
- After income distribution	1.0425	1.0473

The unaudited condensed statement of financial position should be read in conjunction with the AFS FY2013 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 2014	4,272,546	(688,206)	3,584,340
Total comprehensive income for the year	-	116,246	116,246
Income distribution	-	(134,198)	(134,198)
Net total comprehensive income for the year	-	(17,952)	(17,952)
Unitholders' transactions			
- Issue of new units	14,801*	-	14,801
Manager fee paid in units	-	-	-
Increase in net assets resulting from unitholders' transactions	14,801	-	14,801
As at 30 June 2014	<u>4,287,347</u>	<u>(706,158)</u>	<u>3,581,189</u>
As at 1 January 2013	4,243,085	(759,041)	3,484,044
Total comprehensive income for the period	-	100,037	100,037
Income distribution	-	(117,008)	(117,008)
Net total comprehensive income for the period	-	(16,971)	(16,971)
Unitholders' transactions			
- Issue of new units	14,891	-	14,891
Manager fee paid in units	-	-	-
Increase in net assets resulting from unitholders' transactions	14,891	-	14,891
As at 30 June 2013	<u>4,257,976</u>	<u>(776,012)</u>	<u>3,481,964</u>

Note:

Issue of new units involves:

	Units '000	Amount RM'000
Manager fee paid in units:		
- for the financial quarter ended 31 December 2013	6,133	7,237
- for the financial quarter ended 31 March 2014	6,465	7,564
	<u>12,598</u>	<u>14,801*</u>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the AFS FY2013 and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust

Condensed Statement of Cash Flows

(The figures have not been audited)

	Period-To-Date 30.06.2014 RM'000	Period-To-Date 30.06.2013 RM'000
Operating activities		
Profit before tax	116,246	100,037
Adjustment for:		
Non-cash items	17,273	16,123
Non-operating items	24,134	24,939
Operating profit before changes in working capital	157,653	141,099
Net change in current assets	8,333	31,278
Net change in current liabilities	(7,072)	(15,677)
Net cash generated from operating activities	158,914	156,700
Investing activities		
Purchase of plant and equipment	(794)	(523)
Interest received	2,991	2,351
Net cash generated from investing activities	2,197	1,828
Financing activities		
Interest paid	(26,442)	(26,442)
Distribution paid to unitholders	(123,778)	(62,326)
Cash held under trustee	(426)	(864)
Net cash used in financing activities	(150,646)	(89,632)
Net increase in cash and cash equivalents	10,465	68,896
Cash and cash equivalents at beginning of period	189,712	111,311
Cash and cash equivalents at end of period	200,177	180,507
Note:		
Cash and bank balances	228,040	207,512
Less: Restricted cash	(27,863)	(27,005)
Cash and cash equivalents	200,177	180,507

The unaudited condensed statement of cash flows should be read in conjunction with the AFS FY2013 and the accompanying notes attached to this Interim Financial Report.

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 MMLR and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”). This Interim Financial Report should be read in conjunction with the AFS FY2013 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 FY2013.

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and are effective from 1 January 2014 are as follows:

MFRS 132 Financial instruments: Presentation

Save as disclosed in this Interim Financial Report, the adoption of the revised MFRSs and Amendments to MFRS that are applicable to IGB REIT which took effect since 1 January 2014 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 FY2013 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 period-to-date under review.

A5 Material changes in estimates

Not applicable.

IGB Real Estate Investment Trust

A6 Debt and equity securities

Issue of new units:

	Units '000	Amount RM'000
Manager fee paid:		
- for the financial quarter ended 31 December 2013	6,133	7,237
- for the financial quarter ended 31 March 2014	6,465	7,564
	<u>12,598</u>	<u>14,801</u>

Save for the issuance of new units of IGB REIT as payment for Manager fee, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period-to-date.

A7 Income distribution

Pursuant to the distribution policy in clause 17.1 of 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 dated 27 August 2012, 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 on a half-yearly basis.

For the financial period ended 30 June 2014, the Manager declared an income distribution of 100% of distributable income amounting to RM134.2 million or 3.89 sen per unit (@ 3.81 sen taxable and 0.08 sen non-taxable), to be payable on 29 August 2014 to every unitholder who is entitled to receive such distribution as at 4.00 p.m. on 13 August 2014.

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 both located in Kuala Lumpur, Malaysia, which is considered as one operating segment.

A9 Valuation of investment properties

A revaluation on Mid Valley Megamall and The Gardens Mall had been conducted by Henry Butcher Malaysia Sdn Bhd. Based on the valuation letters dated 1 July 2014, the market value of Mid Valley Megamall and The Gardens Mall as at 30 June 2014 remained at RM3.560 billion and RM1.245 billion respectively.

IGB Real Estate Investment Trust

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 3,422.620 million units to 3,435.218 million units arising from the issuance of new units as disclosed in Note A6.

A12 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2014.

A13 Capital commitment

There were no major capital commitments as at 30 June 2014.

Part B – Additional Disclosures Pursuant to Paragraph 9.44 of the MMLR

B1 Review of performance

Current quarter results

For the current quarter, IGB REIT's gross revenue was RM115.5 million, up 7.9% against the corresponding quarter in 2013 of RM107.0 million. Net property income was RM78.7 million or up 11.5% compared with the corresponding quarter in 2013 of RM70.6 million. This was mainly due to higher total rental income in the current quarter.

The distributable income for the current quarter amounted to RM67.5 million or 1.96 sen per unit, consisting of realised profit of RM58.5 million and the non-cash adjustment arising from Manager fee payable in units of RM7.7 million.

Current period-to-date results

For the current period-to-date, IGB REIT's gross revenue was RM229.6 million, up 10.2% against the corresponding period-to-date in 2013 of RM208.4 million. Net property income was RM156.1 million or up 11.7% compared with the corresponding period-to-date in 2013 of RM139.7 million. This was mainly due to higher total rental income in the current period-to-date.

The distributable income for the current period-to-date amounted to RM134.2 million or 3.89 sen per unit, consisting of realised profit of RM116.2 million and the non-cash adjustment arising from Manager fee payable in units of RM15.3 million.

B2 Material changes in quarterly results

For the current quarter, IGB REIT's gross revenue was RM115.5 million or 1.2% higher compared with the immediate preceding quarter of RM114.1 million, mainly due to higher rental income in current quarter.

Net property income was RM78.7 million, approximately 1.5% higher when compared with net property income of RM77.5 million in the preceding quarter, mainly due to higher rental income in the current quarter.

IGB Real Estate Investment Trust

B3 Prospects

The second quarter of this year is expected to see sales expand by 5% with cautious consumer spending as more products and services see a rise in prices according to the Malaysia Retail Industry Report. The Hari Raya celebration, which comes early this year (in July), is expected to contribute to 6.3% growth in retail sales during the third quarter. However, the likely increase in overnight policy rate by the second half of the year may affect retail sales of big-ticket items. The entire 2014 is expected to see overall growth of 6%.

(Source: The Star, 12.03.2014)

On 10 July 2014, Bank Negara Malaysia (“BNM”) raised the overnight policy rate (“OPR”) by 25 basis points to 3.25%, the first time since May 2011 with economists expecting the rate hike to address the potential rise in financial imbalances. Going forward, the overall growth momentum was expected to be sustained. BNM said inflation has been relatively stable as the effects of the price adjustments for utilities and energy continue to moderate. Demand driven inflation remains contained.

(Source: The Star, 11.07.2014)

The operating outlook for the second half of 2014 remains challenging in line with the above observations that may dampen consumer spending as well as the impact of the oncoming supply of retail centres in 2014 onwards. The Manager will continue to strive and achieve a satisfactory performance for the year ending 31 December 2014.

B4 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 strategies.

B5 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.

B6 Utilisation of proceeds raised from issuance of new units

A total of 12.598 million new units were issued by IGB REIT as payment for Manager fee in the current period-to-date.

IGB Real Estate Investment Trust

B7 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 ('Act') 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 2014, no provision for taxation has been made for the current financial period ended 30 June 2014.

Generally, gains on disposal of investments by IGB REIT are regarded as capital 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 gains tax ("RPGT").

With effect from 1 January 2014, 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 3 years of acquisition	30%
Disposal in the 4th year of acquisition	20%
Disposal in the 5th year of acquisition	15%
Disposal after 5 years of acquisition	5%

IGB Real Estate Investment Trust

B7 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, then 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.

IGB Real Estate Investment Trust

B8 Status of corporate proposal

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

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 (“PTG”) via Pusat Setempat, Dewan Bandaraya Kuala Lumpur on 23 April 2013. The strata title application would be finalised pending the approval and completion of the amalgamation.

For The Gardens Mall, the strata title application submitted on 29 January 2013 to PTG for processing and we are awaiting for PTG to issue the strata title.

Mid Valley City Sdn Bhd obtained an extension of consent from state authority for the transfer of Mid Valley Megamall in favour of AmTrustee Berhad as trustee for IGB REIT to be completed within a period of 12 months from 31 March 2014. Mid Valley City Developments Sdn Bhd and Mid Valley City Gardens Sdn Bhd obtained an extension of consent from state authority for the transfer of The Gardens Mall in favour of AmTrustee Berhad as trustee for IGB REIT for a period of 12 months from 31 March 2014.

B9 Borrowings and debt securities

IGB REIT’s borrowings and debts securities as at 30 June 2014 were as follows:

	As at 30.06.2014 RM’000	As at 31.12.2013 RM’000
Non-current borrowings		
- secured term loans	1,195,588	1,194,909
Current borrowings		
- secured revolving credit	27,606	27,606
	<u>1,223,194</u>	<u>1,222,515</u>

All borrowings are denominated in Ringgit Malaysia.

B10 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.

B11 Soft commission received

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

IGB Real Estate Investment Trust

B12 Summary of NAV, EPU, DPU and market price

	Unit of measurement	Current quarter ended 30.06.2014 RM' 000	Immediate preceding quarter ended 31.03.2014 RM' 000
Number of units in issue	units	3,435,218	3,428,753
NAV (after income distribution)	RM'000	3,581,189	3,649,322
NAV per unit (after income distribution)	RM	1.0425	1.0643
Total comprehensive income	RM'000	58,501	57,745
Weighted average number of units in issue	units	3,429,257	3,425,959
Earnings per unit ("EPU") after Manager fee	sen	1.71	1.69
Distribution per unit ("DPU")	sen	1.96	1.93
Closing market price per unit	RM	1.22	1.14

B13 Manager fee

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

- (i) Base fee of up to 1.0% 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 Manager fee for the current period-to-date was RM15,252,000, as follows:

Type	Quarter 30.06.2014 RM'000	Quarter 30.06.2013 RM'000	Period-to-date 30.06.2014 RM'000	Period-to-date 30.06.2013 RM'000
Base fee	3,755	3,662	7,452	7,246
Performance fee	3,933	3,528	7,800	6,984
Total	7,688	7,190	15,252	14,230

For the current period-to-date, 100% of the total Manager fee had been paid and would be payable in units.

IGB Real Estate Investment Trust

B14 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 would be paid to the Trustee.

B15 Unitholdings of the Manager and parties related to the Manager

Based on the Register of Unitholders of IGB REIT as at 30 June 2014, the unitholdings of the Manager and parties related to the Manager were as follows:

Unitholders of IGB REIT	Direct		Indirect	
	No. of units	%	No. of units	%
IGB REIT Management Sdn Bhd	35,218,125	1.03	-	-
IGB Corporation Berhad	1,733,617,754	50.47	35,218,125	1.03
Goldis Berhad	41,234,424	1.20	1,769,546,009	51.52
Dato' Seri Robert Tan Chung Meng	7,289,081	0.21	1,822,492,535	53.06
Pauline Tan Suat Ming	1,080,898	0.03	1,822,492,535	53.06
Tony Tan @ Choon Keat	1,000,000	0.03	1,822,492,535	53.06
Tan Chin Nam Sdn Bhd	4,282,888	0.12	1,819,714,068	52.98
Tan Kim Yeow Sdn Bhd	2,879,665	0.08	1,819,612,870	52.98
Wah Seong (Malaya) Trading Co. Sdn Bhd	6,079,992	0.18	1,813,207,533	52.79

B16 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 MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of IGB REIT as at 30 June 2014 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 24 July 2014.