

IGB REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3-month ended 31 March 2016

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IGB Real Estate Investment Trust

Condensed Statement of Comprehensive Income

(The figures have not been audited)

	Quarter		Period-To-Date	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Gross rental income	103,327	98,632	103,327	98,632
Other income	27,883	26,808	27,883	26,808
Gross revenue	131,210	125,440	131,210	125,440
Utilities expenses	(12,266)	(12,666)	(12,266)	(12,666)
Maintenance expenses	(5,135)	(4,932)	(5,135)	(4,932)
Quit rent and assessment	(3,273)	(3,267)	(3,273)	(3,267)
Reimbursement costs	(14,388)	(12,931)	(14,388)	(12,931)
Other operating expenses	(2,526)	(1,599)	(2,526)	(1,599)
Property operating expenses	(37,588)	(35,395)	(37,588)	(35,395)
Net property income	93,622	90,045	93,622	90,045
Interest income	2,245	1,821	2,245	1,821
Changes in fair value on investment properties	-	-	-	-
Net investment income	95,867	91,866	95,867	91,866
Manager fee	(8,495)	(8,258)	(8,495)	(8,258)
Trustees' fee	(80)	(69)	(80)	(69)
Other trust expenses	(109)	(106)	(109)	(106)
Borrowings costs	(14,368)	(13,525)	(14,368)	(13,525)
Profit before taxation	72,815	69,908	72,815	69,908
Taxation	-	-	-	-
Profit after taxation	72,815	69,908	72,815	69,908
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	72,815	69,908	72,815	69,908
Distribution adjustments ^{*1}	9,842	9,687	9,842	9,687
Distributable income	82,657	79,595	82,657	79,595
Profit for the period comprise the following:				
- Realised	72,815	69,908	72,815	69,908
- Unrealised	-	-	-	-
	72,815	69,908	72,815	69,908
Basic earnings per unit (sen)				
- before Manager fee	2.34	2.27	2.34	2.27
- after Manager fee	2.10	2.03	2.10	2.03

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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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Changes in fair value on investment properties	-	-	-	-
Manager fee payable in units	8,495	8,258	8,495	8,258
Amortisation of fit-out incentives	496	496	496	496
Amortisation of capitalised borrowing costs	242	339	242	339
Depreciation of plant & machinery	609	594	609	594
Distribution Adjustments	9,842	9,687	9,842	9,687

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 (“AFS FY2015”) and the accompanying notes attached to this Interim Financial Report.

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Condensed Statement of Financial Position

(The figures have not been audited)

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Non-current assets		
Investment properties	4,890,000	4,890,000
Plant and equipment	11,516	11,740
	4,901,516	4,901,740
Current assets		
Receivables	24,759	21,619
Cash and bank balances	182,312	246,648
	207,071	268,267
TOTAL ASSETS VALUE ("TAV")	5,108,587	5,170,007
FINANCED BY:		
Unitholders' fund		
Unitholders' capital	4,342,950	4,335,072
Accumulated losses	(669,563)	(639,384)
Current year profit	72,815	253,998
Income distribution	-	(284,177)
Total unitholders' fund	3,746,202	3,665,509
Non-current liabilities		
Borrowings	1,196,606	1,196,363
Payables and accruals	52,423	62,806
	1,249,029	1,259,169
Current liabilities		
Borrowings	24,244	36,752
Payables and accruals	89,112	208,577
	113,356	245,329
Total liabilities	1,362,385	1,504,498
TOTAL UNITHOLDERS' FUND AND LIABILITIES	5,108,587	5,170,007
Number of units in circulation ('000 units)	3,477,668	3,471,789
NET ASSET VALUE ("NAV") (RM)		
- Before income distribution	3,746,202	3,949,686
- After income distribution	3,746,202	3,665,509
NAV per unit (RM)		
- Before income distribution	1.0772	1.1377
- After income distribution	1.0772	1.0558

The unaudited condensed statement of financial position should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report.

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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 2016	4,335,072	(669,563)	3,665,509
Total comprehensive income for the year	-	72,815	72,815
Net total comprehensive income for the year	-	72,815	72,815
Unitholders' transactions			
- Issue of new units			
Manager fee paid in units	7,878*	-	7,878
Increase in net assets resulting from unitholders' transactions	7,878	-	7,878
As at 31 March 2016	<u>4,342,950</u>	<u>(596,748)</u>	<u>3,746,202</u>
As at 1 January 2015	4,302,842	(639,384)	3,663,458
Total comprehensive income for the year	-	69,908	69,908
Net total comprehensive income for the year	-	69,908	69,908
Unitholders' transactions			
- Issue of new units			
Manager fee paid in units	7,677	-	7,677
Increase in net assets resulting from unitholders' transactions	7,677	-	7,677
As at 31 March 2015	<u>4,310,519</u>	<u>(569,476)</u>	<u>3,741,043</u>

Note:

Issue of new units involves:

	Units '000	Amount RM'000
<i>Manager fee paid in units:</i>		
- for the financial quarter ended 31 December 2015	5,879	7,878
	<u>5,879</u>	<u>7,878*</u>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report.

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Condensed Statement of Cash Flows

(The figures have not been audited)

	Period-To-Date 31.03.2016 RM'000	Period-To-Date 31.03.2015 RM'000
Operating activities		
Profit before tax	72,815	69,908
Adjustment for:		
Non-cash items	9,606	9,353
Non-operating items	12,123	11,704
Operating profit before changes in working capital	94,544	90,965
Net change in current assets	(3,459)	(726)
Net change in current liabilities	(1,095)	(10,991)
Net cash generated from operating activities	89,990	79,248
Investing activities		
Purchase of plant and equipment	(391)	(1,963)
Interest received	2,068	1,786
Net cash generated from/(used in) investing activities	1,677	(177)
Financing activities		
Interest paid	(26,633)	(26,190)
Distribution paid to unitholders	(129,370)	(134,676)
Net cash used in financing activities	(156,003)	(160,866)
Net decrease in cash and cash equivalents	(64,336)	(81,795)
Cash and cash equivalents at beginning of year	217,456	203,801
Cash and cash equivalents at end of year	153,120	122,006
<i>Note:</i>		
<i>Cash and bank balances</i>	<i>182,312</i>	<i>150,103</i>
<i>Less: Restricted cash</i>	<i>(29,192)</i>	<i>(28,097)</i>
<i>Cash and cash equivalents</i>	<i>153,120</i>	<i>122,006</i>

The unaudited condensed statement of cash flows should be read in conjunction with the AFS FY2015 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, 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 FY2015 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 FY2015.

A2 Auditors’ report of preceding financial statements

The auditors’ report for FY2015 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.

A6 Debt and equity securities

Issue of new units:

	Units ‘000	Amount RM’000
Manager fee paid:		
- for the financial quarter ended 31 December 2015	5,879	7,878
	<u>5,879</u>	<u>7,878</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.

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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).

No distribution was declared for the current financial period ended 31 March 2016. At least 90% distributable income would be distributed semi-annually for year 2016 subject to IGB REIT’s financial position, earnings, funding and capital management requirements, in keeping with the Manager’s key objective of providing investors with regular and stable income distribution.

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 and based on the valuation letters dated 1 April 2016, the market value of Mid Valley Megamall and The Gardens Mall as at 31 March 2016 remained at RM3.61 billion and RM1.28 billion respectively from previous quarter.

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 3,471.789 million units as at 31 December 2015 to 3,477.668 million units as at 31 March 2016 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 31 March 2016.

A13 Capital commitment

There were no major capital commitments as at 31 March 2016.

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

B1 Review of performance

For the current quarter, IGB REIT's gross revenue was RM131.2 million, up 4.6% against the corresponding quarter in 2015 of RM125.4 million. This was mainly due to higher total rental income in the current quarter.

Net property income was RM93.6 million, up 4.0% compared with the corresponding quarter in 2015 of RM90.0 million. This was mainly due to higher total rental income in the current quarter.

The distributable income for the current quarter amounted to RM82.7 million or 2.36 sen per unit, consisting of realised profit of RM72.8 million and the non-cash adjustment arising mainly from Manager fee payable in units of RM8.5 million.

B2 Material changes in quarterly results

For the current quarter, IGB REIT's gross revenue was RM131.2 million, 8.1% higher compared with the immediate preceding quarter of RM121.4 million, mainly due to higher total rental income in current quarter.

Net property income was RM93.6 million, 15.3% higher when compared with net property income of RM81.2 million in the preceding quarter, mainly due to higher total rental income, lower property upgrade costs and lower interest costs accrued in the current quarter.

B3 Prospects

Malaysian retailers had not too optimistic on the growth for the sector in the first quarter of this year and expect a negative year-on-year growth of 0.4%, according to the Retail Group Malaysia ("RGM"). The retail industry grew a paltry 1.4% last year, the worst performance since 2001, the report said. On a quarterly basis, RGM said retail sales growth was 1.3% in the fourth quarter of last year, similar to the dismal negative 0.8% a year earlier. RGM said the fourth quarter of 2015 performance met expectations, which projected a growth rate of 1.3% in December 2015, but below the estimated growth rate of 3.8% calculated by RGM.

Meanwhile, the total retail sales turnover for 2015 was RM96.2 billion, having grown only 1.4%. This was below the estimate made by RGM at 2.0% in December 2015 and was the worst since 2010. In 2009, the retail industry growth rate was 0.8%. However, RGM maintains its forecast of 4% growth rate for the Malaysian retail industry in 2016. Projected first quarter growth rate at -0.4% is realistic.

B3 Prospects (continued)

Despite lower fuel prices, prices of retail goods and services have been increasing gradually. This has reduced the spending power of Malaysian consumers. The recent higher retrenchment from key economic sectors (including manufacturing, finance, insurance, as well as oil and gas industries) may slow down the growth further. The 3% cut in employees' employees provident fund contribution from March 2016 is not expected to contribute significantly to overall retail sales in 2016.

Notwithstanding the above, the Manager continues to embark on asset enhancement initiatives to continually create value for Unitholders of IGB REIT.

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 NAV 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 5.879 million new units were issued by IGB REIT as payment for Manager fee in the current period-to-date.

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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 24%.

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 24%. 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 more than 90% of the distributable income of IGB REIT to unitholders for the year ended 31 December 2016, no provision for taxation has been made for the current financial year ending 31 December 2016.

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%

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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 total taxable income is distributed by IGB REIT, distributions to unitholders will be subject to tax based on a withholding tax mechanism. With effect from 1 January 2016, the withholding tax rates are as follows:

Unitholders	Withholding tax rate
Individuals & All Other Non-Corporate Investors such as institutional investors (resident and non-resident)	10%
Non-resident corporate investors	24%
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 exemption under Section 61A of the Act will not apply and IGB REIT would have to pay 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. 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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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 was submitted to Pejabat Pengarah Tanah dan Galian, Wilayah Persekutuan Kuala Lumpur (“PTG”) via Pusat Setempat, Dewan Bandaraya Kuala Lumpur on 23 April 2013. Federal Territories of Kuala Lumpur Land Working Committee has approved the application for surrender and re-alienation. Pending for new title to be issued.

For The Gardens Mall, the strata title application was 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 the state authority for the transfer of Mid Valley Megamall in favour of AmTrustee Berhad as trustee for IGB REIT to be completed by 18 October 2016. Mid Valley City Developments Sdn Bhd and Mid Valley City Gardens Sdn Bhd obtained an extension of consent from the state authority for the transfer of The Gardens Mall in favour of AmTrustee Berhad as trustee for IGB REIT to be completed by 18 October 2016.

B9 Borrowings and debt securities

IGB REIT’s borrowings and debts securities as at 31 March 2016 were as follows:

	As at 31.03.2016 RM’000	As at 31.12.2015 RM’000
Non-current borrowings		
- secured term loans	1,196,606	1,196,363
Current borrowings		
- secured revolving credit	24,244	36,752
	<u>1,220,850</u>	<u>1,233,115</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.

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B12 Summary of NAV, EPU, DPU and market price

	Unit of measurement	Current quarter ended 31.03.2016	Immediate preceding quarter ended 31.12.2015
Number of units in issue	'000 units	3,477,668	3,471,789
NAV (after income distribution)	RM'000	3,746,202	3,665,509
NAV per unit (after income distribution)	RM	1.0772	1.0558
Total comprehensive income	RM'000	72,815	53,133
Weighted average number of units in issue	'000 units	3,475,407	3,460,154
Earnings per unit ("EPU") after Manager fee	sen	2.10	1.54
Distributable income per unit ("DPU")	sen	2.36	1.76
Closing market price per unit	RM	1.53	1.34

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 TAV;
- (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 RM8,495,000, as follows:

Type	Quarter 31.03.2016 RM'000	Quarter 31.03.2015 RM'000	Period-to- date 31.03.2016 RM'000	Period-to- date 31.03.2015 RM'000
Base fee	3,808	3,768	3,808	3,768
Performance fee	4,687	4,490	4,687	4,490
Total	<u>8,495</u>	<u>8,258</u>	<u>8,495</u>	<u>8,258</u>

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

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B14 Trustee fee

Based on the Deed, an annual trustee fee of up to 0.03% per annum of the NAV 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 31 March 2016, 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	77,667,783	2.23	-	-
IGB Corporation Berhad	1,733,617,754	49.85	77,667,783	2.23
Goldis Berhad	-	-	1,811,285,537	52.08
Dato' Seri Robert Tan Chung Meng	9,289,081	0.27	1,842,997,639	53.00
Pauline Tan Suat Ming	1,080,898	0.03	1,842,997,639	53.00
Tony Tan (@) Choon Keat	1,000,000	0.03	1,842,997,639	53.00
Tan Chin Nam Sendirian Berhad	14,482,888	0.42	1,840,219,172	52.92
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,840,117,974	52.91
Wah Seong (Malaya) Trading Co. Sdn Bhd	26,079,992	0.75	1,813,712,637	52.15

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, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of IGB REIT as at 31 March 2016 and of its financial performance and cash flows for the financial year ended on that date and duly authorised for release by the Board of Directors of the Manager on 26 April 2016.