

AL-SALĀM REIT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Third Quarter Ended 30 September 2016

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding To Date
		30-09-2016	30-09-2015	30-09-2016	30-09-2015
		RM	RM	RM	RM
Gross rental income		18,161,447	2,253,345	51,034,463	3,508,663
Other income		1,266,184	1,911	3,617,344	1,911
Total revenue	B1	19,427,631	2,255,256	54,651,807	3,510,574
Utilities expenses		(1,648,212)	(34,528)	(5,131,302)	(34,528)
Maintenance expenses		(714,736)	(5,479)	(1,783,803)	(5,479)
Quit rent and assessment		(150,164)	(2,630)	(461,732)	(2,630)
Other operating expenses		(2,253,234)	(40,981)	(6,615,678)	(40,981)
Property manager fee		(67,500)	(4,275)	(202,500)	(4,275)
Property operating expenses		(4,833,846)	(87,893)	(14,195,015)	(87,893)
Net property income		14,593,785	2,167,363	40,456,792	3,422,681
Investment income		249,375	65,488	655,880	112,739
Gain in fair value adjustment		-	-	-	-
Net investment income		14,843,160	2,232,851	41,112,672	3,535,420
Manager's management fees		(344,885)	(76,653)	(1,493,126)	(105,113)
Trustee's fees		(28,829)	(30,000)	(89,319)	(30,000)
Shariah advisors' fee		(3,000)	-	(6,000)	-
Islamic financing costs		(4,669,782)	(1,902,933)	(14,235,182)	(3,030,911)
Other trust expenses		(18,105)	(18,034)	(232,004)	(78,570)
Net income before tax		9,778,559	205,231	25,057,041	290,826
Taxation		-	-	-	-
Net income for the period		9,778,559	205,231	25,057,041	290,826
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		9,778,559	205,231	25,057,041	290,826
Net income for the period is made up as follow:					
Realised		9,778,559	205,231	25,057,041	290,826
Unrealised		-	-	-	-
		9,778,559	205,231	25,057,041	290,826
Earnings per unit (sen)		1.69	0.04	4.32	0.05

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2016

	Note	Unaudited As At End Of Current Quarter 30-09-2016	Audited As at preceding year ended 31-12-2015
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	911,460,000	911,460,000
Property, plant & equipment		147,174	-
Current Assets			
Trade receivables		2,253,799	1,014,861
Other receivables & prepayments		1,500,410	9,957,610
Cash and bank balances		24,211,217	16,197,642
Fixed deposits with licensed banks		31,504,000	9,242,000
Amount due from related companies		2,139,982	1,813,823
		<u>61,609,408</u>	<u>38,225,936</u>
TOTAL ASSETS		<u>973,216,582</u>	<u>949,685,936</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B9	346,581,452	345,910,943
Other payables and accruals		12,872,999	11,676,173
		<u>359,454,451</u>	<u>357,587,116</u>
Current Liabilities			
Other payables and accruals		7,973,820	4,250,836
Provision for income distribution		15,080,000	-
Amount due to related companies		448,111	535,630
		<u>23,501,931</u>	<u>4,786,466</u>
TOTAL LIABILITIES		<u>382,956,382</u>	<u>362,373,582</u>
NET ASSETS VALUE		<u>590,260,200</u>	<u>587,312,354</u>
REPRESENTED BY:			
Unitholders' capital		572,476,101	572,545,319
Undistributed income		17,784,099	14,767,035
TOTAL UNITHOLDERS' FUND		<u>590,260,200</u>	<u>587,312,354</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0177	1.0126

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the Third Quarter Ended 30 September 2016

	Unitholders' Capital RM	Distributable Undistributed Income Realised RM	Non-distributable Undistributed Income Unrealised RM	Total Unitholders' Fund RM
As at 30 March 2015	-	-	-	-
Total comprehensive income for the period	-	7,054,530	7,712,505	14,767,035
Unitholders' transactions				
Issuance of new units	580,000,000	-	-	580,000,000
Issuing expenses	(7,454,681)	-	-	(7,454,681)
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	572,545,319	-	-	572,545,319
As at 31 December 2015	572,545,319	7,054,530	7,712,505	587,312,354
As at 1 January 2016	572,545,319	7,054,530	7,712,505	587,312,354
Total comprehensive income for the period	-	25,057,041	-	25,057,041
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(22,039,977)	-	(22,039,977)
Issuing expenses	(69,218)	-	-	(69,218)
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	(69,218)	(22,039,977)	-	(22,109,195)
As at 30 September 2016	572,476,101	10,071,594	7,712,505	590,260,200

Includes the payment of income distribution of 1.20 sen per unit (taxable in the hand of unitholders) for financial period from 31 March 2015 (date of establishment) to 31 December 2015 which was paid on 29 February 2016 and provision of interim income distribution of 2.60 sen per unit for financial year ended 31 December 2016 (of which 2.37 sen is taxable and 0.23 sen per unit is non taxable in the hand of unitholders) for financial period from 1 January 2016 to 30 June 2016. The announcement was made on 22 August 2016.

The Condensed Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the Third Quarter Ended 30 September 2016

	30-09-2016	To Date 30-09-2015 (restated)
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	25,057,041	290,826
Adjustment for:		
Islamic financing costs	14,235,182	3,030,911
Investment income	(655,880)	(112,739)
Depreciation	5,115	-
Operating profit before working capital changes	38,641,458	3,208,998
Increase in trade receivables	(1,238,938)	(210,398)
Decrease / (Increase) in other receivables and prepayments	9,507	(1,219,828)
Increase in amount owing by related parties	(326,159)	-
Increase in payables and accruals	4,979,424	11,449,453
Decrease in amount owing to related parties	(87,519)	-
Cash generated from operations	41,977,773	13,228,225
Taxes paid	-	-
Net cash generated from operating activities	41,977,773	13,228,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties	-	(575,500,000)
Acquisition of property, plant & equipment	(152,289)	-
Investment income	621,090	112,739
Increase in fixed deposits with licensed banks	(22,000,000)	(9,177,000)
Increase in pledged deposits with licensed banks	(262,000)	-
Decrease / (Increase) in goods and services tax recoverable	8,418,000	(7,562,400)
Net cash used in investing activities	(13,375,199)	(592,126,661)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term Islamic financing direct issue cost	-	345,817,440
Islamic financing costs paid	(13,559,804)	(2,356,838)
Income distribution paid	(6,959,977)	-
Proceeds from issue of new units less direct issue cost	(69,218)	245,228,985
Net cash generated from financing activities	(20,588,999)	588,689,587
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,013,575	9,791,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	16,197,642	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	24,211,217	9,791,151

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements. The comparative Condensed Statement of Cash Flows has been restated to conform to the current financial period presentation.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2016

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("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 proforma financial information in the Prospectus and the accompanying notes attached to this Interim Financial Report.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2015 was not subject to any audit qualification.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

Al-Salām REIT's operations are not significantly affected by seasonal or cyclical factors.

A4. UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the financial statement of Al-Salām REIT in the financial period under review.

A5. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates arising from the adoption of the new and revised FRSs, that have had a material effect during the financial period under review.

A6. ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY

There were no issuances, cancellations, repurchases and repayment of debt and equity securities being made in the current financial period under review.

A7. INCOME DISTRIBUTION

On 22 August 2016, the Fund declared an interim income distribution of 2.60 sen per unit for financial year ended 31 December 2016 (of which 2.37 sen is taxable and 0.23 sen per unit is non taxable in the hand of unitholders) for financial period from 1 January 2016 to 30 June 2016. The income distribution was paid on 13 October 2016.

A8. SEGMENTAL REPORTING

No segmental reporting is required as the Al-Salam REIT's activities are predominantly in one industry segment.

A9. VALUATION OF INVESTMENT PROPERTIES

There was no valuation performed for the current financial period under review.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2016

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

A10. SUBSEQUENT MATERIAL EVENTS

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

A11. CHANGES IN THE COMPOSITION OF THE TRUST

Al-Salām REIT was listed on 29 September 2015 with an initial fund size of 580 million units. Since listing, there was no material change in composition or fund size for the current financial period under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 September 2016.

A13. CAPITAL COMMITMENT

There were no major capital commitment as at 30 September 2016

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2016

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

For the financial period ended 30 September 2016, Al-Salām REIT recorded a total revenue of RM54.6 million which was an increase of RM51.1 million from RM3.5 million which was recorded in the previous corresponding period. The increase in income was primarily due to rental income from KOMTAR JBCC which represented 47.5% from total Al-Salām REIT's fund size as at 30 September 2016 and 14 QSR properties which were acquired on its listing date (i.e. 29 September 2015). Prior to that, Al-Salām REIT only received rental from 13 QSR properties which were acquired on 6 May 2015.

After taking into consideration Islamic financing costs and trust expenses totalling RM16 million, the net income before tax for the current financial period ended 30 September 2016 was RM25.1 million, which is RM 24.8 million higher than the previous corresponding period of RM 0.3 million. The increase was due to acquisition as mentioned above.

B2. MATERIAL CHANGES IN NET INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 30.09.2016 RM	Immediate Preceding Quarter ended 30.06.2016 RM
Net income before tax	9,778,559	8,005,655

There was an increase of 22% in net income before tax recorded in the current quarter as compared with the immediate preceding quarter. The increase was contributed mainly from the rental income of KOMTAR JBCC.

B3. PROSPECTS

Al-Salām REIT currently owns the following properties:

- (i) KOMTAR JBCC: a four-level shopping mall together with an allocation of 1,187 car park bays and 480 motorcycle bays located in Johor Bahru City Centre, Johor Bahru;
- (ii) Menara KOMTAR: a twenty five-storey office building together with 145 car park bays located in Johor Bahru City Centre, Johor Bahru;
- (iii) @Mart Kempas Community Hypermarket: a single-storey hypermarket located within Kempas, Johor Bahru ("@Mart Kempas");
- (iv) KFCH International College: a four-storey building located in Bandar Dato' Onn, Johor Bahru ("KFCH College"); and
- (v) Twenty seven (27) properties, comprising restaurant properties and non-restaurant properties ("QSR Properties").

(Collectively, KOMTAR JBCC, Menara KOMTAR, @Mart Kempas, KFCH College and QSR Properties are referred to as "Al-Salām properties").

Strategic location of Al-Salām Properties

The QSR Properties are primarily located in strategic locations in Penang, Johor and Klang Valley which are mainly situated in proximity of middle to high income establish commercial and residential areas. KOMTAR JBCC, Menara KOMTAR, @Mart Kempas and KFCH College are all situated in Johor Bahru, Johor of which the locations are within the core development precinct of Flagship Zone A, Johor Bahru City Centre of Iskandar Malaysia. Johor Bahru City Centre has been established with the key development strategy to rebrand and revitalise Johor Bahru into a vibrant economic centre while preserving its cultural and heritage value.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2016

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B3. PROSPECTS (Continued)

Diverse Portfolio Strategy with High Occupancy Rates

Al-Salām Properties form a diversified portfolio ranging from office buildings, shopping malls, college buildings, warehouses and food and beverages retail outlets. Al-Salām REIT properties currently enjoys average occupancy rate of approximately 94% as at 30 September 2016.

Platform for future growth

The Fund is also currently assessing other high-potential assets such as commercial and office buildings that would ensure faster and stellar growth of the Fund in the coming years.

B4. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the financial period under review.

B5. TAXATION

Al-Salām REIT will be exempted from income tax provided that Al-Salām REIT distributes 90% or more of its total income as defined in the Malaysian Income Tax Act, 1967 ("ITA") to its unitholders within 2 months from the close of its financial period which forms the basis period for the period of assessment of Al-Salām REIT.

On 22 August 2016, the Fund declared an interim income distribution of 2.60 sen per unit for the financial year ended 31 December 2016 (of which 2.37 sen is taxable and 0.23 sen per unit is non-taxable in the hand of unitholders) in respect of the period from 1 January 2016 to 30 June 2016. The interim income distribution was paid on 13 October 2016.

B6. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of unquoted securities or investment properties during the current quarter.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There were no purchase or disposal of quoted securities during the current quarter.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was none.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2016

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B9. ISLAMIC FINANCING

	The Group	
	As at 30-09-2016 RM'000	As at 31-12-2015 RM'000
<u>Non-current</u>		
Murabahah Term Financing-I of RM 350 million - CMTF-i	346,581	345,911

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

For the current quarter there was no off balance sheet financial instruments.

B11. MATERIAL LITIGATION

There was no pending material litigation as at the date of the Interim Financial Report.

B12. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager in the current financial period under review.

B13. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-09-2016	Immediate Preceding Quarter ended 30-06-2016
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.69	1.38
Net income distribution to unitholders (RM'000)	15,080	-
Distribution per unit (DPU) - sen	2.60	-
Net Asset Value (NAV) - RM'000	590,260	595,562
NAV per unit (RM)	1.0177	1.0268
Market Value Per Unit (RM)	1.0400	1.0400

B14. RESPONSIBILITY STATEMENT

This quarterly report has been prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-Salām REIT as at 30 September 2016 and of its financial performance and cash flows for the period then ended.