

AL-SALĀM REIT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the First Quarter Ended 31 March 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding To Date
		31-03-2017	31-03-2016	31-03-2017	31-03-2016
		RM	RM	RM	RM
Gross rental income		18,105,940	16,208,964	18,105,940	16,208,964
Other income		1,647,116	1,015,366	1,647,116	1,015,366
Total revenue	B1	19,753,056	17,224,330	19,753,056	17,224,330
Utilities expenses		(1,572,747)	(1,891,866)	(1,572,747)	(1,891,866)
Maintenance expenses		(769,812)	(324,633)	(769,812)	(324,633)
Quit rent and assessment		(363,109)	(161,372)	(363,109)	(161,372)
Other operating expenses		(2,515,016)	(2,098,854)	(2,515,016)	(2,098,854)
Property manager fee		(67,500)	(67,500)	(67,500)	(67,500)
Property operating expenses		(5,288,184)	(4,544,225)	(5,288,184)	(4,544,225)
Net property income		14,464,872	12,680,105	14,464,872	12,680,105
Investment income		300,014	180,557	300,014	180,557
Gain in fair value adjustment		-	-	-	-
Net investment income		14,764,886	12,860,662	14,764,886	12,860,662
Manager's management fees		(585,306)	(575,140)	(585,306)	(575,140)
Trustee's fees		(30,418)	(30,000)	(30,418)	(30,000)
Shariah advisors' fee		-	(3,000)	-	(3,000)
Islamic financing costs		(4,530,929)	(4,796,285)	(4,530,929)	(4,796,285)
Other trust expenses		(352,516)	(183,410)	(352,516)	(183,410)
Net income before tax		9,265,717	7,272,827	9,265,717	7,272,827
Taxation		-	-	-	-
Net income for the period		9,265,717	7,272,827	9,265,717	7,272,827
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		9,265,717	7,272,827	9,265,717	7,272,827
Net income for the period is made up as follow:					
Realised		9,265,717	7,272,827	9,265,717	7,272,827
Unrealised		-	-	-	-
		9,265,717	7,272,827	9,265,717	7,272,827
Earnings per unit (sen)		1.60	1.25	1.60	1.25

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Note	Unaudited As At End Of Current Quarter 31-03-2017	Audited As at preceding year ended 31-12-2016
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	922,090,000	922,090,000
Property, plant & equipment		237,753	143,984
Current Assets			
Trade receivables		2,074,695	3,824,210
Other receivables & prepayments		6,605,967	3,116,344
Cash and bank balances		4,016,142	6,355,659
Fixed deposits with licensed banks		32,166,000	41,085,000
Amount due from related companies		2,153,664	1,566,792
		<u>47,016,468</u>	<u>55,948,005</u>
TOTAL ASSETS		<u>969,344,221</u>	<u>978,181,989</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B9	347,028,458	346,804,955
Other payables and accruals		13,102,073	12,963,827
		<u>360,130,531</u>	<u>359,768,782</u>
Current Liabilities			
Other payables and accruals		7,663,668	6,473,346
Amount due to related companies		64,368	-
		<u>7,728,036</u>	<u>6,473,346</u>
TOTAL LIABILITIES		<u>367,858,567</u>	<u>366,242,128</u>
NET ASSETS VALUE		<u>601,485,654</u>	<u>611,939,861</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		28,940,335	39,394,542
TOTAL UNITHOLDERS' FUND		<u>601,485,654</u>	<u>611,939,861</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0370	1.0551

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the First Quarter Ended 31 March 2017

	Unitholders' Capital RM	Distributable Undistributed Income Realised RM	Non-distributable Undistributed Income Unrealised RM	Total Unitholders' Fund RM
As at 1 January 2017	572,545,319	21,052,037	18,342,505	611,939,861
Total comprehensive income for the period	-	9,265,717	-	9,265,717
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(19,719,924)	-	(19,719,924)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(19,719,924)	-	(19,719,924)
As at 31 March 2017	572,545,319	10,597,830	18,342,505	601,485,654
As at 1 January 2016	572,545,319	7,054,530	7,712,505	587,312,354
Total comprehensive income for the period	-	7,272,827	-	7,272,827
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(6,959,977)	-	(6,959,977)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(6,959,977)	-	(6,959,977)
As at 31 March 2016	572,545,319	7,367,380	7,712,505	587,625,204

Includes the payment of final income distribution of 3.40 sen per unit for financial year ended 31 December 2016 (of which 2.91 sen is taxable and 0.49 sen per unit is non taxable in the hand of unitholders) for financial period from 1 July 2016 to 31 December 2016. The final dividend was paid on 28 February 2017.

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 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the First Quarter Ended 31 March 2017

	To Date	
	31-03-2017	31-03-2016 (restated)
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	9,265,717	7,272,827
Adjustment for:		
Islamic financing costs	4,530,929	4,796,285
Investment income	(300,014)	(180,557)
Depreciation	3,807	-
Gain on fair value adjustment	-	-
Operating profit before working capital changes	<u>13,500,439</u>	<u>11,888,555</u>
Decrease in trade receivables	1,749,515	261,272
Increase in other receivables and prepayments	(3,508,367)	(5,001,338)
Increase in amount owing by related parties	(586,872)	(270,272)
Increase in payables and accruals	1,321,492	5,080,327
Increase / (Decrease) in amount owing to related parties	<u>64,368</u>	<u>(484,754)</u>
Cash generated from operations	12,540,575	11,473,790
Taxes paid	-	-
Net cash generated from operating activities	<u>12,540,575</u>	<u>11,473,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(97,576)	-
Investment income	300,007	106,562
Increase in pledged deposits with licensed banks	(81,000)	(86,000)
Decrease / (Increase) in goods and services tax recoverable	-	8,447,067
Net cash used in investing activities	<u>121,431</u>	<u>8,467,629</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic financing costs paid	(4,281,599)	(4,557,782)
Income distribution paid	<u>(19,719,924)</u>	<u>(6,959,977)</u>
Net cash generated from financing activities	<u>(24,001,523)</u>	<u>(11,517,759)</u>

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the First Quarter Ended 31 March 2017

	31-03-2017	To Date 31-03-2016 (restated)
	RM	RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	(11,339,517)	8,423,660
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	37,855,659	16,197,642
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>26,516,142</u>	<u>24,621,302</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	4,016,142	13,607,243
Fixed deposits with licensed banks	<u>32,166,000</u>	<u>20,342,059</u>
	36,182,142	33,949,302
Less : Pledged deposits with licensed banks	<u>(9,666,000)</u>	<u>(9,328,000)</u>
CASH AND CASH EQUIVALENTS	<u>26,516,142</u>	<u>24,621,302</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 First Quarter Ended 31 March 2017

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

A1. BASIS OF PREPARATION

This Interim Financial Statement 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 (SC REIT Guideline). This Interim Financial Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying notes attached. The accounting policies and methods of computation in the preparation of the Interim Financial Statements are consistent with those adopted in the preparation of the Audited Financial Statement of Al-Salām REIT for Financial Year Ended 31 December 2016.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2016 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 MFRSs, 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 27 January 2017, the Manager, after consultation with the Trustee had announced a final income distribution of 3.40 sen per unit (of which 2.91 sen is taxable and 0.49 sen per unit is non taxable in the hand of unitholders) totaling RM19,720,000 for financial year ended 31 December 2016. The final income distribution was paid on 28 February 2017.

A8. SEGMENTAL REPORTING

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

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2017

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

A9. VALUATION OF INVESTMENT PROPERTIES

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

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 31 March 2017.

A13. CAPITAL COMMITMENT

There were no major capital commitment as at 31 March 2017.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2017

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

B1. REVIEW OF PERFORMANCE

For the financial year ended 31 March 2017, Al-Salām REIT recorded a total revenue of RM19.8 million represented an increase of RM2.6 million from RM17.2 million recorded in the previous corresponding period. KOMTAR JBCC contributed 96.6% of the increment in rental income.

After taking into consideration Islamic financing costs and trust expenses totalling of RM5.5 million, the net income before tax for the current financial year ended 31 March 2017 was RM9.3 million, which is RM2.0 million higher than the previous corresponding period of RM7.3 million. The increase was due to rental income as mentioned above.

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

	Current Quarter ended 31.03.2017 RM	Immediate Preceding Quarter ended 31.12.2016 RM
Net income before tax	9,265,717	21,610,367

There was a decrease of 57.1% in net income before tax recorded in the current quarter as compared with the immediate preceding quarter. The decrease was contributed mainly gain in fair value of investment properties of RM10.6 million in immediate preceding quarter.

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 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 established 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 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 First Quarter Ended 31 March 2017

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 31 March 2017.

Platform for future growth

The Fund is also currently assessing other high-potential assets as commercial and office buildings that would ensure growth.

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 27 January 2017, the Manager, after consultation with the Trustee had announced a final income distribution of 3.40 sen per unit totaling RM19,720,000 for financial year ended 31 December 2016. The final income distribution was paid on 28 February 2017.

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 First Quarter Ended 31 March 2017

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

B9. ISLAMIC FINANCING

	The Group	
	As at 31-03-2017 RM'000	As at 31-12-2016 RM'000
<u>Non-current</u>		
Murabahah Term Financing-I of RM 350 million - CMTF-i	347,028	346,805

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. MATERIAL LITIGATION

There was no 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 31-03-2017	Immediate Preceding Quarter ended 31-12-2016
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.60	3.73
Net income distribution to unitholders (RM'000)	19,720	-
Distribution per unit (DPU) - sen	3.40	-
Net Asset Value (NAV) - RM'000	601,486	611,940
NAV per unit (RM)	1.0370	1.0551
Market Value Per Unit (RM)	1.0200	1.0700

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 31 March 2017 and of its financial performance and cash flows for the period then ended.