

AL-SALĀM REIT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Third Quarter Ended 30 September 2022

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period to-date
		30-09-2022	30-09-2021	30-09-2022	30-09-2021
		RM	RM	RM	RM
Gross rental income		16,719,977	17,196,602	49,491,615	52,282,502
Other income		1,061,899	384,591	2,746,151	1,850,936
Total revenue	B1	17,781,876	17,581,193	52,237,766	54,133,438
Utilities expenses		(1,428,486)	(809,998)	(4,269,037)	(2,189,458)
Maintenance expenses		(1,052,222)	(641,945)	(2,597,110)	(2,245,371)
Quit rent and assessment		(454,950)	(414,586)	(1,311,188)	(1,238,313)
Other property expenses		(2,312,709)	(2,025,415)	(6,779,571)	(6,620,621)
Property manager fee		(119,100)	(119,100)	(357,300)	(348,300)
Total property expenses		(5,367,467)	(4,011,044)	(15,314,206)	(12,642,063)
Net property income		12,414,409	13,570,149	36,923,560	41,491,375
Investment income		105,066	98,622	245,496	249,237
Gain on fair value adjustment of investment properties		-	-	-	-
Net investment income		12,519,475	13,668,771	37,169,056	41,740,612
Manager's management fees		(614,649)	(621,522)	(1,843,145)	(1,850,051)
Trustee's fees		(29,483)	(30,077)	(87,649)	(89,272)
Shariah advisors' fee		(4,000)	(5,240)	(6,120)	(7,360)
Islamic financing costs		(7,238,414)	(6,544,273)	(20,373,891)	(19,446,088)
Other trust expenses ¹		233,689	(1,694,469)	(1,011,690)	(7,304,353)
Net income before tax		4,866,618	4,773,190	13,846,561	13,043,488
Taxation		-	-	-	-
Net income after tax		4,866,618	4,773,190	13,846,561	13,043,488
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,866,618	4,773,190	13,846,561	13,043,488
Net income after tax is made up as follow:					
Realised		3,939,226	3,825,027	11,067,432	10,229,916
Unrealised		927,392	948,163	2,779,129	2,813,572
		4,866,618	4,773,190	13,846,561	13,043,488
Earnings per unit (sen)		0.84	0.82	2.39	2.25

¹The waiver of lease receivables or rental rebates given to tenants are accounted for in accordance with MFRS 9 and presented as an expense in the Statements of Comprehensive Income (SOCl).

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2022

	Note	Unaudited As at End Of Current Quarter 30-09-2022	Audited As at preceding year ended 31-12-2021
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,177,326,522	1,177,236,522
Property, plant & equipment		725,041	708,310
Current Assets			
Trade receivables	B9	28,764,100	33,418,411
Other receivables & prepayments		7,483,631	4,953,108
Cash and bank balances		17,135,065	9,804,187
Fixed deposits with licensed banks		22,273,000	26,352,000
Amount due from related companies		215,943	1,027,188
		<u>75,871,739</u>	<u>75,554,894</u>
TOTAL ASSETS		<u>1,253,923,302</u>	<u>1,253,499,726</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	186,964,110	635,656,938
Other payables and accruals		13,035,775	8,194,657
Deferred tax liability		1,228,748	1,228,748
		<u>201,228,633</u>	<u>645,080,343</u>
Current Liabilities			
Islamic financing	B10	449,868,400	-
Other payables and accruals		8,809,687	14,005,846
Provision for income distribution		2,900,000	2,900,000
Amount due to related companies		-	904,101
		<u>461,578,087</u>	<u>17,809,947</u>
TOTAL LIABILITIES		<u>662,806,720</u>	<u>662,890,290</u>
NET ASSETS VALUE		<u>591,116,582</u>	<u>590,609,436</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		18,571,263	18,064,117
TOTAL UNITHOLDERS' FUND		<u>591,116,582</u>	<u>590,609,436</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)			
- Before income distribution		1.0192	1.0183
- After income distribution*		1.0142	1.0003

*After reflecting the proposed second interim income distribution for financial year ending 31 December 2022 of 0.50 sen per unit (2021: final income distribution for financial year ended 31 December 2021 of 1.80 sen per unit).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the Third Quarter Ended 30 September 2022

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
As at 1 January 2021	572,545,319	13,323,828	11,512,234	597,381,381
Total comprehensive income for the period	-	10,229,916	2,813,572	13,043,488
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(7,075,968)	-	(7,075,968)
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(7,075,968)	-	(7,075,968)
As at 30 September 2021	572,545,319	16,477,776	14,325,806	603,348,901
As at 1 January 2022	572,545,319	17,991,593	72,524	590,609,436
Total comprehensive income for the period	-	11,067,432	2,779,129	13,846,561
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(13,339,415)	-	(13,339,415)
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(13,339,415)	-	(13,339,415)
As at 30 September 2022	572,545,319	15,719,610	2,851,653	591,116,582

Include :

- i) Payment of final income distribution of 1.80 sen per unit for the financial year ended 31 December 2021 (of which 1.61 sen per unit is taxable and 0.19 sen per unit is non-taxable in the hands of unitholders) in respect of the financial year ending 31 December 2021 which was paid on 28 February 2022.
- ii) Payment of first income distribution of 0.50 sen per unit for the financial year ending 31 December 2022 (taxable in the hands of unitholders) in respect of the period from 1 January 2022 to 30 June 2022 which was paid on 11 October 2022.

The Condensed Consolidated Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Third Quarter Ended 30 September 2022

	To Date	
	30-09-2022	30-09-2021
	<u>RM</u>	<u>RM</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	13,846,561	13,043,488
Adjustment for:		
Islamic financing costs	20,373,891	19,076,088
Depreciation	119,620	128,805
Fair value (loss)/gain on investment properties	-	-
Investment income	(245,496)	(249,236)
Unbilled rental income	(2,779,129)	(2,813,572)
Allowance for expected credit losses	628,149	6,174,136
Operating profit before working capital changes	<u>31,943,596</u>	<u>35,359,709</u>
 (Increase)/decrease in:		
Trade receivables	6,805,292	(13,207,705)
Other receivables and prepaid expenses	(2,530,523)	(850,687)
Amount owing by related companies	811,245	293,544
 (Decrease)/Increase in:		
Other payables and accrued expenses	(3,222,865)	955,188
Amount owing to related companies	(904,101)	-
Net cash generated from operating activities	<u>32,902,644</u>	<u>22,550,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	-	-
Purchase of equipment	(226,351)	(13,500)
Income received from other investments	245,496	249,236
Net cash generated / (used) in investing activities	<u>19,145</u>	<u>235,736</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged deposits with licensed banks	(21,000)	(60,000)
Increase in restricted cash	(28,381)	(33,452)
Net drawdown from Islamic financing	-	1,000,000
Islamic financing costs paid	(19,230,496)	(18,219,835)
Transaction cost paid	-	-
Income distribution paid	(10,439,415)	(7,075,968)
Net cash used in financing activities	<u>(29,719,292)</u>	<u>(24,389,255)</u>

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Third Quarter Ended 30 September 2022

	To Date	
	30-09-2022	30-09-2021
	RM	RM
NET DECREASE IN CASH AND CASH EQUIVALENTS	3,202,497	(1,603,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	28,304,366	28,829,870
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	31,506,863	27,226,400
 DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	17,135,065	7,455,965
Fixed deposits with licensed banks	22,273,000	25,345,000
	39,408,065	32,800,965
Less : Pledged deposits with licensed banks	(7,803,000)	(5,530,000)
Less : Restricted cash	(98,202)	(44,565)
CASH AND CASH EQUIVALENTS	31,506,863	27,226,400

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Malaysia Financial Reporting Standard (MFRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Group and the Fund in this interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31 December 2021.

Adoption of amendments to MFRSs

The Group and the Fund adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

- Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021
- Annual improvements to MFRS Standards 2018 - 2020
- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract

The adoption of this amendments to MFRSs did not have any significant financial impact to the Group and the Fund.

Standards, amendments to MFRSs and IC Interpretation that have been issued but not yet effective

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective:

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Fund expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2021 was not subject to any audit qualification.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

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 current quarter under review.

A5. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates arising from the adoption of the new MFRSs, amendments to MFRSs and IC Interpretation that have a material effect during the quarter under review.

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

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

A7. INCOME DISTRIBUTION

On 26 August 2022, the Fund declared the first interim income distribution of 0.50 sen per unit for the financial period ending 31 December 2022 (taxable in the hand of unitholders). The said distribution has been paid on 11 October 2022.

A8. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's business segments based on the nature of the industry of the Group's investment properties which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is segmented into the following operating divisions:

- Retail outlets
- Office buildings
- Food and beverage ("F&B") properties comprising restaurant and non-restaurant outlets
- Others comprising Fund level operations

No information on geographical areas is presented as the Group operates solely in Malaysia.

AL-SALĀM REIT**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the Third Quarter Ended 30 September 2022

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134
("MFRS 134")**A8. SEGMENTAL REPORTING (continued)**

	For period ended 30 September 2022					
	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non-restaurants RM'000	Other-Fund level operations RM'000	Total RM'000
Total revenue	25,063	6,117	12,841	8,217	-	52,238
Total property expenses	(11,562)	(3,016)	(121)	(258)	(357)	(15,314)
Net property income	13,501	3,101	12,720	7,959	(357)	36,924
Fair value (loss)/gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	245	245
Net investment income	13,501	3,101	12,720	7,959	(112)	37,169
Total trust expenses	-	-	-	-	(2,948)	(2,948)
Islamic financing costs	-	-	-	-	(20,374)	(20,374)
Net income before tax	13,501	3,101	12,720	7,959	(23,434)	13,847
Income tax expenses	-	-	-	-	-	-
Net (expense)/income for the period	13,501	3,101	12,720	7,959	(23,434)	13,847
Total assets	811,491	101,406	286,460	191,421	(136,855)	1,253,923
Total liabilities	13,973	4,031	-	1,079	643,724	662,807
	For period ended 30 September 2021					
	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non-restaurants RM'000	Other-Fund level operations RM'000	Total RM'000
Total revenue	26,685	6,136	12,778	8,534	-	54,133
Total property expenses	(9,686)	(2,369)	(28)	(211)	(348)	(12,642)
Net property income	16,999	3,767	12,750	8,323	(348)	41,491
Fair value (loss)/gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	249	249
Net investment income	16,999	3,767	12,750	8,323	(99)	41,740
Total trust expenses	(4,953)	(322)	(900)	-	(3,076)	(9,251)
Islamic financing costs	-	-	-	-	(19,446)	(19,446)
Net income before tax	12,046	3,445	11,850	8,323	(22,621)	13,043
Income tax expenses	-	-	-	-	-	-
Net income for the period for the period	12,046	3,445	11,850	8,323	(22,621)	13,043
Total assets	812,635	106,979	284,464	189,446	(130,191)	1,263,333
Total liabilities	16,884	2,938	-	713	639,449	659,984

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

A9. VALUATION OF INVESTMENT PROPERTIES

There were no valuation of properties being made in the current quarter under review.

A10. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the current quarter 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.

In the Annual General Meeting (AGM) held on 20 April 2022, the following resolutions have been passed by the unit holders of Al-Salām REIT:

Ordinary Resolution 1

Proposed authority to allot and issue up to 116,000,000 new units of Al-Salām REIT, representing 20% of the approved fund size of Al-Salām REIT, pursuant to Clause 14.03 of the SC REIT Guidelines.

Ordinary Resolution 2

Proposed increase in existing approved fund size of Al-Salām from 580,000,000 units to a maximum of 696,000,000 units pursuant to Ordinary Resolution 1.

However, there were no issuance of new units for the current quarter under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed in the current quarter under review.

A13. CAPITAL COMMITMENT

There were no major capital commitments to be disclosed in the current quarter under review.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

	The Group		The Fund	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
	RM'000	RM'000	RM'000	RM'000
Rental income	26,601	27,501	26,601	27,501
Other property management and fees charged	4,316	4,527	4,316	4,527
Finance cost paid/payable to a subsidiary	-	-	13,823	14,852

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Year ended		
	30-09-2022 RM'000	30-09-2021 RM'000	Change %	30-09-2022 RM'000	30-09-2021 RM'000	Change %
Total revenue						
Retail outlets	8,887	8,350	6.4	25,063	26,685	(6.1)
Office buildings	2,097	2,114	(0.8)	6,117	6,136	(0.3)
F&B restaurants	4,281	4,266	0.4	12,841	12,778	0.5
F&B non-restaurants	2,517	2,851	(11.7)	8,217	8,534	(3.7)
Total	<u>17,782</u>	<u>17,581</u>	1.1	<u>52,238</u>	<u>54,133</u>	(3.5)
Net property income ("NPI")						
Retail outlets	4,933	5,309	(7.1)	13,501	16,999	(20.6)
Office buildings	995	1,342	(25.9)	3,101	3,767	(17.7)
F&B restaurants	4,176	4,258	(1.9)	12,720	12,750	(0.2)
F&B non-restaurants	2,429	2,780	(12.6)	7,959	8,323	(4.4)
Property manager fee	(119)	(119)	0.0	(357)	(348)	2.6
Total	<u>12,414</u>	<u>13,570</u>	(8.5)	<u>36,924</u>	<u>41,491</u>	(11.0)
Investment income	105	98	7.1	245	249	(1.6)
Fair value adjustment on investment properties	-	-	0.0	-	-	0.0
Trust expenses	(414)	(2,351)	(82.4)	(2,948)	(9,251)	(68.1)
Islamic financing costs	(7,238)	(6,544)	10.6	(20,374)	(19,446)	4.8
Net income before tax	<u>4,867</u>	<u>4,773</u>	2.0	<u>13,847</u>	<u>13,043</u>	6.2

Review of Individual/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM8.9 million for the current quarter ended 30 September 2022 (Q3 2022), an increase of RM0.5 million compared to the preceding year corresponding quarter (Q3 2021) of RM8.4 million. This was mainly due to lower rental income of RM1.0 million, offsetted by higher parking income of RM0.3 million and promotional income of RM0.2 mil. Net property income (NPI) of RM4.9 million represented a decrease of RM0.4 million due to the decrease in total revenue as stated earlier and higher operating expenses of RM0.9 million from all retail outlets.

For cumulative period to-date, total revenue and net property income of the retail segment had experienced a decrease of RM1.6 million and RM3.5 million respectively due to lower rental income of RM2.1 million and higher operating expenses of RM1.9 million from all retail outlets offsetted by higher parking income of RM0.4 million and promotional income of RM0.3 million.

Office building

The office segment reported a total revenue of RM2.1 million for Q3 2022 and Q3 2021. No significant changes noted. NPI of the office segment in Q3 2022 was RM1.0 million, lower by RM0.3 million compared to the preceding year corresponding quarter due to higher operating expenses.

For the cumulative period to-date, total revenue of RM6.1 million for 2022 and 2021. No significant changes noted. NPI reported a decrease of RM0.7 million due to higher operating expenses.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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

B1. REVIEW OF PERFORMANCE (continued)

F&B restaurants

For current quarter ended 30 September 2022 (Q3 2022), total revenue recorded an increase of RM15,000 while NPI recorded a decrease of RM82,000 respectively as compared to Q3 2021. The decrease in NPI was due to higher operating expenses. The properties are on a Triple Net arrangement with 100% occupancy rate (2021: 100%).

For cumulative period ended 30 September 2022 (Q3 2022), total revenue recorded an increase of RM63,000 while NPI recorded a decrease of RM30,000 compared to Q3 2021. This was due to higher operating expenses as stated earlier.

F&B non-restaurant

For current quarter and cumulative period ended 30 September 2022 (Q3 2022), total revenue and NPI recorded a decrease of RM0.3 million and RM0.4 million respectively as compared to Q3 2021. This was due to revised rental rate of MCHM. The occupancy rate is 100% (2021: 100%).

Overall

For Q3 2022, Al-Salām REIT recorded a total NPI of RM12.4 million, a decrease of RM1.2 million or 8.8% as compared to Q3 2021. This was mainly due to lower performance of the retail segment. Net income before tax was higher by RM0.1 million as compared to Q3 2021. This was mainly due to lower rental rebate granted to tenants of RM2.0 million offsetted by higher Islamic financing costs of RM0.7 million.

For the cumulative financial period ended 30 September 2022, Al-Salām REIT recorded a total NPI of RM36.9 million, a decrease of RM4.6 million from RM41.5 million recorded in previous year. The decrease was mainly due to lower NPI contribution from the retail segment. Trust expenses was lower by RM6.3 million mainly due to lower provision for rental rebate. Islamic financing costs was higher by RM0.9 million due to higher profit rate for the Islamic financings. After taking into consideration of all the above, Al-Salām REIT recorded a net income before tax of RM13.8 million as compared to net income of RM13.0 million in the previous year.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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

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

	Quarter ended		Change %
	30-09-2022 RM'000	30-06-2022 RM'000	
Total revenue			
Retail outlets	8,887	8,455	5.1
Office buildings	2,097	1,998	5.0
F&B restaurants	4,281	4,280	0.0
F&B non-restaurants	2,517	2,835	(11.2)
	17,782	17,568	1.2
Net property income ("NPI") :			
Retail outlets	4,933	4,549	8.4
Office buildings	995	967	2.9
F&B restaurants	4,176	4,272	(2.2)
F&B non-restaurants	2,429	2,750	(11.7)
Property manager fee	(119)	(119)	0.0
	12,414	12,419	(0.0)
Investment income	105	65	61.5
Fair value adjustment on investment properties	-	-	0.0
Trust expenses	(414)	(1,321)	(68.7)
Islamic financing costs	(7,238)	(6,686)	8.3
Net income / (loss) before tax	4,867	4,477	8.7

Higher net income before tax for the current quarter of RM4.9 million as compared to the immediate preceding quarter of RM4.5 million mainly due to reversal of provision for doubtful debt of KOMTAR JBCC.

B3. CHANGES IN NET ASSET VALUE

	As at	As at
	30-09-2022 RM'000	30-06-2022 RM'000
Net asset value ("NAV")	591,117	589,149
NAV per unit (RM)	1.0192	1.0158

The NAV as at 30 September 2022 was higher by RM2.0 million as compared to the immediate preceding quarter, mainly due to total comprehensive income recognised offsetted by first interim income distribution paid during the current quarter.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B4. PROSPECTS

The global economy continues to be weighed down by rising cost pressures, tighter global financial conditions, and strict Covid containment measures in China. Inflationary pressures were more persistent than expected due to strong demand, tight labour markets, and elevated commodity prices, despite improvements in global supply chain conditions. Consequently, many central banks are expected to continue raising interest rates to manage inflationary pressures. In particular, continued aggressive adjustments in US interest rates and expectations of a higher terminal rate in the US, have contributed to a persistently strong US dollar environment.

The Malaysian economic activity strengthened further in the third quarter, driven primarily by robust domestic demand. Against the backdrop of continued positive growth prospects for the Malaysian economy, the Monetary Policy Committee of Bank Negara Malaysia (“BNM”) decided to further adjust the degree of monetary accommodation to 2.75%. The monetary policy decisions will continue to depend on evolving conditions and their implications on the overall outlook to domestic inflation and growth. In line with earlier assessments, headline inflation is likely to have peaked in 3Q 2022 and is expected to moderate thereafter, albeit remaining elevated. Underlying inflation, as measured by core inflation, is projected to average closer to the upper end of the 2.0% - 3.0% forecast range in 2022, having averaged 2.7% year-to-date, given some demand-driven price pressures amid the high-cost environment.

As the economy recuperates, Al-Salām REIT anticipates its performance of retail properties to improve in line with the recovery in consumer sentiment. @Mart Kempas and Mydin Hypermart continues to prove their resilience as community-centric hypermarkets offering daily essential provisions. Additionally, the Fund’s sizable triple net lease assets portfolio (consisting of Mydin Hypermart Gong Badak and F&B-related properties) will also continue to provide a sustained contribution to Al-Salām REIT’s core income.

Manager anticipates that the uptick of cross border activities will continue to positively impact Komtar JBCC’s performance as the mall primarily caters to shoppers from across the strait. Thus, in anticipation of the eventual increase in retail crowd and change in consumer shopping behavior, the Manager continues to engage with the property manager to undertake a repositioning of the mall by incorporating more experiential shopping presence into Komtar JBCC. In the long term, the return of foreign shoppers and the ensuing repositioning exercise is expected to be an important catalyst to improve the mall’s yield performance moving forward.

The landscape for domestic office space market continues to undergo change as new workplace arrangements and flexible working practices are being embraced by the workforce at large resulting from the pandemic. Being mindful of this scenario, the Manager is engaging with the property manager to assess the current space offering in Menara Komtar and incorporate possible changes including elements of customizable space designs in line with current demand.

Assets operated by QSR Brands (M) Holdings Bhd (QSR) continue to provide income stability on the back of triple net lease arrangement with Al-Salām REIT. Al-Salām REIT remains confident in QSR’s continued perseverance by virtue of their time-tested operational excellence and sustainable market share amidst the challenging business environment.

The Manager warrants the fund's existing stable of assets are well maintained to ensure the stability of rental income, stable income distributions for Al-Salām REIT and create long-term value for its unitholders.

Source:

Bank Negara Monetary Policy Statement, 8 September 2022

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B5. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the current quarter under review.

B6. TAX

	The Group		The Fund	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
	RM'000	RM'000	RM'000	RM'000
Tax expense				
- Income tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 90% of its distributable income. The Manager also expects to distribute the net income within 2 months from the end of each financial year and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

The deferred tax liability has been provided for the investment properties at 10% which reflects the expected manner of recovery of the investment properties i.e. recovered through sale.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B7. INCOME DISTRIBUTION

Income distributions to unitholders is derived from the following sources:

	Quarter ended		Year ended	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
	RM'000	RM'000	RM'000	RM'000
Net rental income	17,782	17,581	52,238	54,133
Investment revenue	105	98	245	249
Less: Unbilled rental income	(927)	(949)	(2,779)	(2,814)
	16,960	16,730	49,704	51,568
Less: Expenses	(13,021)	(12,905)	(38,637)	(41,338)
Realised/distributable income for the quarter/period	3,939	3,825	11,067	10,230
Previous year's undistributed realised income	11,780	12,653	7,552	6,248
Total realised income available for distribution	15,719	16,478	18,619	16,478
Less: Income to be distributed for the quarter/period	(2,900)	(2,900)	(5,800)	(2,900)
Balance undistributed realised income	12,819	13,578	12,819	13,578
Distribution per unit (sen)	0.50	0.50	1.00	0.50

B8. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

B9. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B10. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no corporate proposals announced but not completed during the current quarter under review.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B11. TRADE RECEIVABLES

	The Group	
	As at 30-09-2022 RM'000	As at 30-09-2021 RM'000
Non-current		
Third parties	-	702
Current		
Third parties	5,137	14,453
Related companies	10,011	9,921
Unbilled rental income	16,003	12,303
Less: Allowance for expected credit loss	(2,387)	(5,703)
	<u>28,764</u>	<u>30,974</u>

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group and the Fund on rental receivable from lessees generally ranges from 1 to 7 days (2021: 1 to 7 days).

Trade receivables (non-current)

In the previous financial year, the Fund entered into a settlement agreement with a customer. Both parties agreed that the outstanding rental of RM5,619,180 is to be paid by the customer through 24 monthly instalments as and when they fall due on 7th day of each month starting January 2021.

Unbilled rental income

Unbilled rental income relate to the Group's rights to recognise revenue. Rental income is recognised on a straight line basis including rent free period. Rental will be billed in accordance with the billing terms as set out in the tenancy agreements.

The aging analysis of the Group's trade receivables is as follows:

	As at 30-09-2022 RM'000	As at 30-09-2021 RM'000
1 - 30 days	3,455	3,680
31 - 60 days	2,135	3,658
61 - 90 days	664	261
91 - 120 days	800	2,279
More than 120 days	8,094	14,496
	<u>15,148</u>	<u>24,374</u>

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The rapid spread of ongoing COVID-19 pandemic throughout the country has a significant impact on the overall economy. The Movement Control Order ("MCO") imposed by the Government of Malaysia has caused the reduction in the income generated by the Group's and the Fund's retail and food and beverages ("F&B") tenants.

As at the date of the financial statements, Malaysia's international borders remain closed. In view of the ongoing COVID-19 pandemic, the Group and the Fund granted rent concession of RM628,149 (2021: RM6,174,136) to their tenants.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2022

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

B12. ISLAMIC FINANCING

	The Group	
	As at 30-09-2022 RM'000	As at 30-09-2021 RM'000
<u>Non-current</u>		
<u>Secured</u>		
- Term Financing-i ("TF-i")	118,000	118,000
- Business Financing-i ("BF-i")	70,000	70,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	451,000
	<u>188,000</u>	<u>639,000</u>
Less: Transaction costs	(1,036)	(3,375)
	<u>186,964</u>	<u>635,625</u>
<u>Current</u>		
<u>Secured</u>		
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	451,000	-
	<u>451,000</u>	<u>-</u>
Less: Transaction costs	(1,131)	-
	<u>449,869</u>	<u>-</u>
Total Islamic Financing	<u>636,833</u>	<u>635,625</u>

Term Financing-i

The TF-i profit is payable over a period of 60 months from the date of first disbursement. The effective profit rate for the TF-i will be based on COF which is based on the Bank's COF + 1.45% per annum for the duration of the TF-i. The average effective profit rate for the TF-i is 3.66% (2021: 3.79%) per annum. The principal amount is expected to be paid in March 2024.

The TF-i has a significant covenant in which the subsidiary shall at all times, maintain the following criteria:

- The financing payment cover ration ("FPCR") of not less than 1.25 times;
- Total debts and financing over total assets value of not more than 50% or any value set by Security Commission Malaysia ("SC"); and
- Minimum security cover of 1.25 times.

The financing is secured by the investment properties amounting to RM152.7 million (2021: RM152.7 million)

Business Financing-i

The BF-i profit is payable over a period of 72 months from the date of first disbursement. The effective profit rate for the BF-i will be based on COF which is based on the Bank's COF + 0.60% per annum for the duration of the BF-i. The average effective profit rate for the BF-i is 3.55% (2021: 3.56%) per annum. The principal amount is to be expected to be paid in September 2026.

The BF-i has a significant covenant in which the subsidiary shall at all times, maintain the following criteria:

- The finance service cover ratio ("FPCR") of not less than 1.25 times;
- Minimum security cover of 1.30 times.

The financing is secured by the investment properties amounting to RM96.9 million (2021: RM96.9 million)

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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

B12. ISLAMIC FINANCING (continued)

Sukuk Ijarah - Islamic Medium Term Notes

On 24 August 2018, a subsidiary of the Group, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion.

On 24 August 2020, the Group issued RM520.0 million in nominal value of IMTNs ("Issue 2") which bears profit rate of 3.75% to 4.00% (2020: 3.72% to 3.91%) per annum.

On 24 September 2021, ALSREIT Capital Sdn Bhd redeem outstanding Issue 2 of RM69.0 million on the first anniversary of the issue date.

The Sukuk Ijarah Programme has a significant covenant in which the subsidiary, Al-Salām REIT and its subsidiary shall at all times, maintain the following financial covenants:

- (a) Finance Service Cover Ratio ("FSCR") at Issuer level of not less than 1.5 times;
- (b) FSCR at Al-Salām REIT level of not less than 1.5 times;
- (c) Minimum Security Cover Ratio of at least 2.0; and
- (c) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed to by ALSREIT Capital Sdn Bhd.

The financing was used to secure the investment properties amounting to RM911.9 million (2021: RM911.9 million).

Revolving Credit

As of 30 September 2022, the Fund unutilised revolving credit facilities amounting to RM10.0 million (2021: RM10.0 million) which is granted from a financial institution. The said facility of is secured by investment properties of the subsidiary amounting to RM15.8 million (2021: RM15.8 million).

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B14. MATERIAL LITIGATION

There was no material litigation as at the date of the current quarter.

B15. SOFT COMMISSION RECEIVED

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

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2022

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

B16. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-09-2022	Immediate Preceding Quarter ended 30-06-2022
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	0.84	0.77
Net income distribution to unitholders (RM'000)	2,900	2,900
Distribution per unit (DPU) - sen	0.50	0.50
Net Asset Value (NAV) - RM'000	591,117	589,149
NAV per unit (RM)	1.0192	1.0158
Market Value Per Unit (RM)	0.4250	0.4450

B17. 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 2022 and of its financial performance and cash flows for the period then ended.