



## **ATRIUM REAL ESTATE INVESTMENT TRUST**

# **Condensed Financial Statements**

## **Third Quarter Ended 30 September 2018**

### **Contents**

Condensed Statement of Financial Position	1
Condensed Statement of Comprehensive Income	2
Condensed Statement of Changes In Net Asset Value	3 to 4
Condensed Statement of Cash Flows	5
Notes to the Financial Statements	6 to 13

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**

	(Unaudited) As at 30.09.2018 RM	(Audited) As at 31.12.2017 RM
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment properties	275,892,424	268,434,340
<b>Current assets</b>		
Trade and other receivables	4,107,046	3,471,819
Deposits with licensed financial institution	1,823,192	4,447,911
Bank balance	1,131,493	3,122,796
	<u>7,061,731</u>	<u>11,042,526</u>
<b>TOTAL ASSETS</b>	<u>282,954,155</u>	<u>279,476,866</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Trade and other payables	6,640,504	5,641,933
Borrowings	32,705,379	29,165,288
	<u>39,345,883</u>	<u>34,807,221</u>
<b>Current liabilities</b>		
Trade and other payables	3,087,343	4,502,877
Borrowings	59,600,000	59,600,000
	<u>62,687,343</u>	<u>64,102,877</u>
<b>TOTAL LIABILITIES</b>	<u>102,033,226</u>	<u>98,910,098</u>
<b>NET ASSET VALUE (“NAV”)</b>	<u>180,920,929</u>	<u>180,566,768</u>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS’ FUNDS</b>		
Unitholders’ capital	119,351,580	119,351,580
Undistributed income	61,569,349	61,215,188
<b>TOTAL UNITHOLDERS’ FUNDS</b>	<u>180,920,929</u>	<u>180,566,768</u>
<b>NUMBERS OF UNITS IN CIRCULATION (UNITS)</b>	<u>121,801,000</u>	<u>121,801,000</u>
<b>NAV PER UNIT (RM)</b>		
- before proposed distribution	1.4854	1.4825
- after proposed distribution (Note 1)	1.4654	1.4640

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

*(Note 1 - Being Net Asset Value Per Unit after reflecting realised income to be distributed as third interim income distribution for 2018 of 2.00 sen per unit payable on 30 November 2018.)*

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2018 RM	Preceding Year Corresponding Quarter 30.09.2017 RM	Current Year to Date 30.09.2018 RM	Preceding Year to Date 30.09.2017 RM
Gross revenue	5,004,232	4,311,877	13,879,029	12,988,649
Property operating expenses	(455,506)	(878,341)	(1,412,894)	(1,825,361)
<b>Net rental income</b>	<b>4,548,726</b>	<b>3,433,536</b>	<b>12,466,135</b>	<b>11,163,288</b>
Interest income	21,891	35,671	100,179	120,859
Other income	-	483,302	813	524,302
<b>Total income</b>	<b>4,570,617</b>	<b>3,952,509</b>	<b>12,567,127</b>	<b>11,808,449</b>
<b>Trust expenses</b>				
Manager's fees	(365,797)	(344,791)	(1,079,174)	(1,023,953)
Trustee's fees	(36,580)	(25,859)	(91,571)	(84,796)
Auditors' fees	(6,900)	(6,600)	(20,700)	(19,500)
Impairment loss on trade receivables	(500,000)	-	(500,000)	-
Tax agent's fees	(1,810)	(1,650)	(4,580)	(4,300)
Finance costs	(1,087,337)	(983,150)	(3,122,059)	(2,738,667)
Valuation fees	(1,000)	(19,755)	(1,000)	(19,755)
Administrative expenses	(100,582)	(200,392)	(198,791)	(738,450)
Others	(743)	(76,186)	(69,732)	(306,116)
<b>Total Expenses</b>	<b>(2,100,749)</b>	<b>(1,658,383)</b>	<b>(5,087,607)</b>	<b>(4,935,537)</b>
<b>Income before taxation</b>	<b>2,469,868</b>	<b>2,294,126</b>	<b>7,479,520</b>	<b>6,872,912</b>
Taxation	-	-	-	-
<b>Net income/Total comprehensive income for the period</b>	<b>2,469,868</b>	<b>2,294,126</b>	<b>7,479,520</b>	<b>6,872,912</b>

**Net income for the period is made up as follows:**

-Realised	2,469,868	2,294,126	7,479,520	6,872,912
-Unrealised	-	-	-	-

**Earnings per unit (sen)**

- after manager's fees	2.03	1.88	6.14	5.64
- before manager's fees	2.33	2.17	7.03	6.48

**Distribution per unit (sen)**

- Proposed/declared	2.00	1.85	6.00	5.55
---------------------	------	------	------	------

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (UNAUDITED)**  
**For The Period from 01.01.2018 to 30.09.2018**

	Unitholders' Capital RM	← Undistributed Income →		Total RM
		Realised RM	Unrealised RM	
<b>At 1 January 2018</b>	119,351,580	2,837,423	58,377,765	180,566,768
<b>Operations for the period from - 1 January 2018 to 30 September 2018</b>				
Net income for the period	-	7,479,520	-	7,479,520
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	7,479,520	-	7,479,520
<b>Unitholders' transactions</b>				
Distributions to unitholders				
- 2017 Final	-	(2,253,319)	-	(2,253,319)
- 2018 Interim	-	(4,872,040)	-	(4,872,040)
Decrease in net assets resulting from unitholders' transactions	-	(7,125,359)	-	(7,125,359)
<b>Net assets as at 30 September 2018</b>	<u>119,351,580</u>	<u>3,191,584</u>	<u>58,377,765</u>	<u>180,920,929</u>

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (AUDITED)**  
**For The Period from 01.01.2017 to 30.09.2017**

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
<b>At 1 January 2017</b>	119,351,580	2,509,133	49,277,765	171,138,478
<b>Operations for the period from - 1 January 2017 to 30 September 2017</b>				
Net income for the period	-	6,872,912	-	6,872,912
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	6,872,912	-	6,872,912
<b>Unitholders' transactions</b>				
Distributions to unitholders				
- 2016 Final	-	(1,948,816)	-	(1,948,816)
- 2017 Interim	-	(4,506,637)	-	(4,506,637)
Decrease in net assets resulting from unitholders' transactions	-	(6,455,453)	-	(6,455,453)
<b>Net assets as at 30 September 2017</b>	<u>119,351,580</u>	<u>2,926,592</u>	<u>49,277,765</u>	<u>171,555,937</u>

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For The Period from 01.01.2018 to 30.09.2018**

	<b>01.01.2018 to 30.09.2018 RM</b>	<b>01.01.2017 to 30.09.2017 RM</b>
<b><u>Cash Flow From Operating Activities</u></b>		
Income before taxation	7,479,520	6,872,912
Adjustments for:		
Interest income	(100,179)	(120,859)
Interest expense	3,122,059	2,738,667
Operating income before working capital changes	10,501,400	9,490,720
(Increase)/Decrease in trade and other receivables	(635,227)	701,019
Decrease in trade and other payables	(416,963)	(4,343,129)
Cash generated from operating activities	9,449,210	5,848,610
Tax paid	-	-
Net cash generated from operating activities	9,449,210	5,848,610
<b><u>Cash Flow From Investing Activity</u></b>		
Acquisition of investment property	-	(21,698,113)
Enhancement of investment property	(7,458,084)	-
Interest income	100,179	120,859
Net cash used in investing activity	(7,357,905)	(21,577,254)
<b><u>Cash Flow From Financing Activities</u></b>		
Interest paid	(3,122,059)	(2,738,667)
Distribution to unitholders	(7,125,359)	(6,455,453)
Borrowings	3,540,091	29,165,288
Net cash generated from/(used in) financing activities	(6,707,327)	19,971,168
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>(4,616,022)</b>	<b>4,242,524</b>
<b>Cash And Cash Equivalents At The Beginning Of the Period</b>	<b>7,570,707</b>	<b>2,208,077</b>
<b>Cash And Cash Equivalents At The End Of the Period</b>	<b>2,954,685</b>	<b>6,450,601</b>
<b><u>Cash and cash equivalents</u></b>		
Cash and bank balances	1,131,493	367,623
Deposits with licensed financial institution	1,823,192	6,082,978
	<u>2,954,685</u>	<u>6,450,601</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For The Quarter Ended 30 September 2018**

**Disclosure requirements as per Malaysian Financial Reporting Standards (“MFRS”) 134**

**A1. Basis of Preparation**

The quarterly financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of the Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) for the year ended 31 December 2017.

**A2. Audit Report of Preceding Financial Year Ended 31 December 2017**

The Auditors Report on the financial statements of the preceding financial year was not qualified.

**A3. Seasonality or Cyclicity of Operations**

The business operations of Atrium REIT are not materially affected by any seasonal or cyclical factor.

**A4. Exceptional or Unusual Items**

There were no unusual items to be disclosed for the quarter under review.

**A5. Changes in Estimates of Amounts Reported**

This is not applicable as no estimates were previously reported.

**A6. Changes in Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale and repayment of equity securities during the current financial quarter. The outstanding debt is disclosed in Note B16.

**A7. Income Distribution**

During the quarter under review, the Atrium REIT paid an interim income distribution of 2.00 sen per unit, amounting to RM2,436,020.00 in respect of the quarter ended 30 June 2018 on 30 August 2018. Based on the third quarter’s results ended 30 September 2018, there will be an interim distribution of 2.00 sen per unit, amounting to RM2,436,020.00 to be payable on 30 November 2018.

**A8. Segment Reporting**

No segment information is prepared as Atrium REIT's activities are predominantly in one industry segment and occur predominantly in Malaysia.

**A9. Valuation of Property, Plant & Equipment**

The investment properties are valued based on valuations performed by independent registered valuers.

**A10. Material Events**

There was no material event subsequent to the end of the current financial quarter.

**A11. Changes in the Composition of Atrium REIT**

There is no change in composition of Atrium REIT for the current financial quarter.

**A12. Changes in Contingent Liabilities**

There is no contingent liability to be disclosed.

**Additional disclosure requirement as per paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad****B1. Manager's Investment Objectives**

The Manager's investment objectives are to maximise profits in order to reward Unitholders with a stable distribution of income and to acquire quality assets to achieve long term growth in the Net Asset Value ("NAV") per unit. The Manager has achieved its objective of rewarding Unitholders with stable and attractive return through consistent distribution of income since the listing of the Atrium REIT on 2 April 2007. There was no change in the investment objectives of the Atrium REIT as at the date of this report.

**B2. Strategies and Policies**

There was no change in strategies and policies employed since the preceding financial year.



### B3. Review of Performance

	<b>Current Quarter As at 30 September 2018</b>	<b>Immediate Preceding Quarter As at 30 June 2018</b>
Net asset value (RM)	180,920,929	180,887,101
Units in circulation (units)	121,801,000	121,801,000
Net asset value per unit (RM)		
- before distribution	1.4854	1.4851
- after distribution	1.4654	1.4651
Market price per unit (RM)	1.14	1.07
Highest traded price per unit during the quarter (RM)	1.14	1.10
Lowest traded price per unit during the quarter (RM)	1.06	1.06

#### **Analysis of Changes in Net Asset Value and Net Asset Value/Unit**

There is no material changes since the last quarter

#### **Quarterly Results**

For the quarter under review, Atrium REIT's gross revenue increased by 16.0% to RM5,004,232 compared to the last corresponding quarter of RM4,311,877. Income before taxation for the quarter registered an increase of approximately 7.6% to RM2,469,868 compared to RM RM2,294,388 achieved in the last corresponding quarter.

Gross revenue increased mainly due to the rental income from Atrium Shah Alam 3. The property operating expenses were lower compared to the last corresponding quarter where the repair and upgrading works were carried out in the last corresponding quarter. Consequently, income before taxation for the quarter under review also increased albeit a substantial decrease in other income in the current quarter and a substantial increase in trust expenses as a result of further provision of impairment loss for trade receivable. The other income for the last corresponding quarter was from the disposal of scrap metal from Atrium Shah Alam 3

#### **Nine Months Results**

For the nine months financial period ended 30 September 2018, Atrium REIT recorded total income of RM12,567,127 which is approximately 6.42% higher than the corresponding period due mainly to the increase in gross revenue, decrease in property operating expenses even though there was a substantial decrease in other income.

Gross revenue increased due mainly to the rental income from Atrium Shah Alam 3 and positive rental reversion for the tenancy at Atrium Puchong which commenced in January 2018. The property operating expenses for the current quarter were lower compared to the last corresponding quarter where repairs and upgrading works were carried out on the properties whilst the other income for the last corresponding quarter was from the disposal of scrap metal from Atrium Shah Alam 3.

The trust expenses were higher for the current period due to higher finance costs and impairment loss for trade receivables even though administrative expenses were lower compared to the last corresponding period. The increase in finance costs is due to additional term loan taken for the upgrading works at Atrium Shah Alam 3. The administrative expenses were higher for the last corresponding period as a result of consultants' fees for the upgrading works at Atrium Shah Alam 2 and 3.

#### B4. Comparison with Preceding Quarter

	<b>Current Quarter 01.07.2018 To 30.09.2018 RM</b>	<b>Preceding Quarter 01.04.2018 To 30.06.2018 RM</b>
Gross revenue	5,004,232	4,478,197
Property expenses	(455,506)	(470,175)
<b>Net property income</b>	<u>4,548,726</u>	<u>4,008,022</u>
Interest income	21,891	31,014
Other income	-	813
<b>Total income</b>	<u>4,570,617</u>	<u>4,039,849</u>
Trust expenses	(2,100,749)	(1,496,375)
<b>Income before taxation</b>	<u>2,469,868</u>	<u>2,543,474</u>
Taxation	-	-
<b>Net income</b>	<u>2,469,868</u>	<u>2,543,474</u>
 <b>Net income for the financial quarter is made up as follows:</b>		
-Realised	2,469,868	2,466,197
-Unrealised	-	-
	<u>2,469,868</u>	<u>2,466,197</u>

Atrium REIT's net income (realised) for the quarter ended 30 September 2018 is slightly higher compared to the preceding quarter due mainly to the higher gross revenue for the quarter under review even though the Trust expenses were much higher as compared to the preceding quarter. The gross revenue increased due to the rental income from Atrium Shah Alam 3 with the commencement of the tenancy in the current quarter whilst the increase in trust expenses was due mainly to the impairment loss for trade receivables.

#### B5. Maintenance Costs and Major Capital Expenditure

A total of RM1,097,499 capital expenditure was incurred for the enhancement of the property of Atrium REIT during the quarter under review.

#### B6. Prospects

The occupancy rate for the Trust's portfolio of properties as at 30 September 2018 is 100%. Barring any unforeseen circumstances, the Manager expects the Trust's portfolio of properties to maintain 100% occupancy for the remaining period of 2018.

The Manager will continue to actively identify good assets for new acquisition to improve the yield and to continue focusing on the strategy of having the investment properties leased long-term to reputable tenants.

#### **B7. Portfolio Composition**

During the quarter under review, Atrium REIT did not acquire and/or dispose any property. As at 30 September 2018, the portfolio composition of Atrium REIT is as follows:

##### **Investments in Real Estates**

<b>Description of property</b>	<b>Tenure of land</b>	<b>Occupancy rate as at 30.09.2018 %</b>	<b>Date of Valuation</b>	<b>Acquisition cost RM'000</b>	<b>Latest valuation RM'000</b>	<b>Net Book Value (A) RM'000</b>	<b>Percentage of (A) over Net Assets Value %</b>
Atrium Shah Alam 1	Freehold	100	23.11.2017	57,200	81,600	81,600	45.0
Atrium Shah Alam 2	Freehold	100	14.11.2017	49,100	76,100	76,100	41.9
Atrium Shah Alam 3	Freehold	100	n/a	21,698	n/a	30,345	16.7
Atrium Puchong	Freehold	100	14.11.2017	38,500	51,000	51,147	28.2
Atrium USJ	Freehold	100	21.11.2017	25,000	36,700	36,700	20.2
				191,498		275,892	

#### **B8. Utilisation of Proceeds Raised from Issuance of New Units**

This is not applicable as there are no proceeds raised from any issuance of new units during the current financial quarter.

#### **B9. Status of Corporate Development**

There was no corporate proposal announced during the current financial quarter.

#### **B10. Material Litigation**

There was no material litigation as at the latest practicable date from the date of this report.

#### **B11. Soft Commission**

During the financial quarter, the Manager did not receive any soft commission (i.e. goods and services) from the brokers or agents by virtue of transactions conducted by Atrium REIT.

#### **B12. Revenue Recognition**

Rental and interest income are recognized on an accrual basis.

**B13. Trade Receivables**

	<b>As at 30 September 2018 RM</b>	<b>As at 31 December 2017 RM</b>
<b>Trade receivables</b>		
Third parties	3,235,696	3,257,208
Less: Impairment losses	(1,248,947)	(748,947)
Total trade receivables	1,986,749	2,508,261
<b>Other receivables, deposits and prepayments</b>	2,120,297	963,558
<b>Trade and Other Receivables</b>	4,107,046	3,471,819

The impairment losses related to a debtor that has defaulted in rental payments. The Manager has made a further provision for impairment of RM500,000 based on the concept of prudence as the amount is still outstanding at the end of the period. However, the Manager is of the opinion that the recovery of the total outstanding, inclusive of the impaired amount, is highly probable as receipts have been forthcoming from the said debtor during the quarter under review.

**Ageing analysis of trade receivables**

	<b>Total Due (RM)</b>	<b>0 – 15 days (RM)</b>	<b>16 – 30 days (RM)</b>	<b>31 – 45 days (RM)</b>	<b>&gt; 45 days (RM)</b>
Related Parties	0	0	0	0	0
Non-Related Parties	3,235,696	0	86,524	0	3,149,172
<b>TOTAL</b>	3,235,696	0	86,524	0	3,149,172

**B14. Manager's Fees**

Pursuant to the Restated Deed dated 24 March 2016 and the Supplementary Deed dated 21 April 2016, the Manager is entitled to receive a fee of up to 1.0% per annum of the Net Asset Value ("NAV") of the Trust.

For the quarter ended 30 September 2018, the Manager received a fee of 0.8% per annum of the NAV of the Trust.

**B15. Trustee's Fees**

For the quarter ended 30 September 2018, the Trustee received a fee of 0.08% per annum of the NAV of the Trust.

## B16. Borrowings and Debt Securities

	As at 30 September 2018 RM	As at 31 December 2017 RM
<u>Short Term Financing (secured)</u>		
Short Term Revolving Credit (“STRC Facility”)	39,600,000	39,600,000
<u>Long Term Financing (secured)</u>		
Term Loan (“TL Facility”) - secured	20,000,000	20,000,000
Term Loan 2 (“TL 2 Facility”)	10,765,288	10,765,288
Term Loan 3 (“TL 3 Facility”)	18,400,000	18,400,000
Term Loan 4 (“TL 4 Facility”)	3,540,091	-
	92,305,379	88,765,288

## B17. Taxation

Atrium REIT intends to distribute at least 90% of the distributable income (realised) to unitholders for the financial year 2018, which is exempt from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006. Thus, Atrium REIT is not expected to incur any tax expenses for the financial year and as such, has not provided any tax expense for this current financial quarter.

## B18. Distribution to Unitholders

Distributions to unitholders are from the following sources:

	Current Quarter RM	Corresponding Quarter RM	Current Year to Date RM	Corresponding Year to Date RM
Rental income	5,004,232	4,311,877	13,879,029	12,988,649
Interest income	21,891	35,671	100,179	120,859
Other income	-	483,302	813	524,302
<b>Total income</b>	5,026,123	4,830,850	13,980,021	13,633,810
Property operating expenses	(455,506)	(878,341)	(1,412,894)	(1,825,361)
Trust expenses	(2,100,749)	(1,658,383)	(5,087,607)	(4,935,537)
<b>Total Expenses</b>	(2,556,255)	(2,536,724)	(6,000,501)	(6,760,898)
<b>Realised income before taxation</b>	2,469,868	2,294,126	7,479,520	6,872,912
Taxation	-	-	-	-
<b>Realised income for the period</b>	2,469,868	2,294,126	7,479,520	6,872,912
<b>Undistributed realised income</b>				
- Previous year’s	584,104	560,317	584,104	560,317
- Previous quarter’s	137,612	72,149	-	-
<b>Total realised income available for distribution</b>	3,191,584	2,926,592	8,063,624	7,433,229
<b>Proposed/declared income distribution</b>	(2,436,020)	(2,253,318)	(7,308,060)	(6,759,955)
Balance undistributed realised income	755,564	673,274	755,564	673,274
<b>Distribution per unit (sen)</b>				
- Proposed/Declared	2.00	1.85	6.00	5.55

For the financial quarter ended 30 September 2018, the Board of Directors of the Manager has declared a third interim income distribution of 2.00 sen per unit to be payable on 30 November 2018 to the unitholders registered in the Record of Depositors on 13 November 2018.

Withholding tax will be deducted for distributions made to the following categories of unitholders:

- Resident individual (withholding tax at 10%)
- Non Resident individual (withholding tax at 10%)
- Resident institutional investors (withholding tax at 10%)
- Non-resident institutional investors (withholding tax at 10%)
- Resident companies (No withholding tax. Subject to corporate tax at prevailing rate)
- Non-resident companies (withholding tax at 24% for Year of Assessment 2018)

### **B19. Responsibility Statement**

In the opinion of the Directors of the Manager, 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 Atrium REIT as at 30 September 2018 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorised for release by the Board of the Manager on 25 October 2018.

By Order of the Board

WONG SUI EE  
Executive Director  
Atrium REIT Managers Sdn Bhd  
Company No: 710526-V  
(As the Manager of Atrium Real Estate Investment Trust)  
Kuala Lumpur  
Dated: 25 October 2018