6 FINANCIAL REPORTS

MANAGER'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), the Manager of **AL-`AQAR HEALTHCARE REIT** (the "Fund"), have pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2018.

THE FUND AND ITS INVESTMENT OBJECTIVE

The Fund is a Malaysian-based real estate and investment trust, established on 28 June 2006 pursuant to the execution of a Trust Deed dated 27 June 2006 between the Manager and AmanahRaya Trustees Bhd (the "Trustee"). The Fund was listed on the Main Board of Bursa Malaysia Securities Berhad on 10 August 2006.

The key objective of the Fund is to provide unitholders with stable distributions per unit and the potential for sustainable long-term growth of such distributions and net asset value per unit.

The objective is sought to be achieved by optimising the performance and enhancing the overall quality for a large and geographically diversified portfolio of Shariah-compliant real estate assets through various permissible investment and business strategies.

THE MANAGER AND ITS PRINCIPAL ACTIVITY

The Manager is a company incorporated in Malaysia and is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a company incorporated in Malaysia. The Directors of the Manager consider Johor Corporation as the ultimate holding entity of the Manager, a body corporate established under the Johor Corporation Enactment No 4, 1968 (as amended by Enactment No. 5, 1995).

The principal activity of the Manager is that of managing real estate investment trusts. There has been no significant change in the nature of the activity during the financial year.

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

To achieve the Fund's primary objective, the Manager will seek to achieve the following strategies:

(i) Portfolio Composition

The Fund's investments may be allocated in the following manner, as prescribed by the Guidelines on Real Estate Investment Trust ("Guidelines on REITs") and the Guidelines for Islamic Real Estate Investment Trust ("Guidelines on Islamic REITs"):

(a) at least 75% of the Fund's total assets shall be invested in Shariah-compliant real estate, single-purpose companies which are Shariah-compliant, Shariah-compliant real estate-related assets or liquid assets;

(b) at least 50% of the Fund's total assets must be invested in Shariah-compliant real estate or single-purpose companies which are Shariah-compliant; and

(c) the Fund's investment in other Shariah-compliant assets (such as Shariah-compliant non-real estate-related assets and/or cash deposits and money market instruments) must not exceed 25% of the Fund's total assets value.

(ii) Diversification

The Fund will seek to diversify its Shariah-compliant real estate portfolio by property and location type. The Fund will primarily be focused on investing in real estates which are primarily used for healthcare purposes and will continue to look for opportunities that will provide attractive returns.

(iii) Leverage

The Fund will be able to leverage on its financing to make the permitted investments. Leveraging on its financing will enable the returns to unitholders to increase.

DIRECTORS OF THE MANAGER

The Directors who served on the Board of the Manager during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Kamaruzzaman bin Abu Kassim
Wan Azman bin Ismail
Yusaini bin Sidek
Zainah binti Mustafa
Dr Mohd Hafetz bin Ahmad
Lukman bin Abu Bakar
Mohd Yusof bin Ahmad
Dato' Amiruddin bin Abdul Satar
Dato' Dr. Rahah binti Ismail

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager of the Fund is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager) by reason of a contract made by the Manager or the Fund or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' unitholding of the Fund, the interests of Directors of the Manager in office at the end of the financial year are as follows:

	Number of Units of Ordinary Shares in the Fund			
	As of 01.01.2018	**Acquired**	**Disposed**	**As of 31.12.2018**
The Manager's Directors and unitholders				
Dato' Kamaruzzaman bin Abu Kassim				
- Direct	10,000	-	-	10,000
- Indirect	-	40,000	-	40,000
Dr Mohd Hafetz bin Ahmad				
- Direct	2,400	-	-	2,400
- Indirect	230	-	-	230
Dato' Amiruddin bin Abdul Satar				
- Indirect	910	-	-	910

MANAGER'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

According to the Register of Directors' Shareholdings kept by the Manager under Section 59 of the Companies Act 2016, the interests of the Directors of the Manager in office at the end of the financial year in shares in its related corporations during the financial year were as follows:

	Number of ordinary shares			
	As of 01.01.2018	**Acquired**	**Disposed**	**As of 31.12.2018**
Related corporations				
- E.A. Technique (M) Berhad				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	254,500	-	-	254,500
Dr Mohd Hafetz bin Ahmad				
- Direct	60,000	-	-	60,000
- Indirect	18,000	-	-	18,000
Dato' Amiruddin bin Abdul Satar	25,064	-	-	25,064
Zainah binti Mustafa	1,000,000	-	-	1,000,000

	Number of warrants			
	As of 01.01.2018	**Acquired**	**Disposed**	**As of 31.12.2018**
Related corporations				
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	223,000	223,000	-	446,000
Dato' Amiruddin bin Abdul Satar	2,128	-	-	2,128

	Number of options over ordinary shares			
	As of 01.01.2018	**Acquired**	**Disposed**	**As of 31.12.2018**
Related corporations				
- KPJ Healthcare Berhad				
Dr Mohd Hafetz bin Ahmad	330,000	-	-	330,000

Save as disclosed above, none of the other Directors of the Manager in office at the end of the financial year had any interest in units in the Fund or shares in its related corporations during and at the end of the financial year.

MANAGER'S REMUNERATION

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive from the Fund:

(a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;

(b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and

(c) A disposal fee of 0.5% of the disposal price of any investment property to be disposed directly or indirectly by the Fund which is payable upon completion of the disposal.

SOFT COMMISSION

During the year, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Fund.

MANAGER'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year ended 31 December 2018.

OTHER INFORMATION

(a) Before the financial statements of the Group and of the Fund were prepared, the Manager took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is necessary; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Manager is not aware of any circumstances which would render:

(i) it necessary to write off of any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Fund; and
(ii) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.

(c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.

(d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
(ii) any contingent liability of the Group and of the Fund which has arisen since the end of the financial year.

(f) In the opinion of the Manager:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Fund to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

MANAGER'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

SIGNIFICANT EVENT

The details of a significant event during the year is disclosed in Note 27 to the Financial Statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

The remuneration of the auditors for the financial year ended 31 December 2018 is as disclosed in the statements of comprehensive income.

Signed on behalf of the Board of the Manager as approved by the Board of the Manager,
in accordance with a resolution of the Directors of the Manager dated 31 January 2019.

DATO' KAMARUZZAMAN BIN ABU KASSIM

WAN AZMAN BIN ISMAIL

Kuala Lumpur,
31 January 2019

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AL-`AQAR HEALTHCARE REIT** ("the Fund"), which comprise the statements of financial position of the Group and of the Fund as at 31 December 2018, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 98 to 152.

In our opinion, the accompanying financial statements of the Group and of the Fund give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with the applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Fund in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the said By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in our audit
Valuation of investment properties	
Investment properties of the Group and of the Fund as at 31 December 2018 amounting to RM1,485.7 million and RM1,353.3 million respectively (2017: RM1,459.7 million and RM1,320.1 million respectively) are the most quantitatively material account balance in the financial statements. Further, the investment properties are measured at fair value and the valuation of the Group's and the Fund's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property. The fair values of the Group's and the Fund's investment properties, as determined by the independent valuers appointed by the management, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check. The accounting policy and key sources of estimation uncertainty for valuation of investment properties are set out in Note 3.4 and Note 4.2(a) to the Financial Statements respectively, and the details of the investment properties of the Fund have been disclosed in Note 11 to the Financial Statements.	Our audit procedures included the following: (a) Assessed and discussed with management their process for reviewing the work of the independent valuers. (b) Assessed the competency, independence and integrity of the independent valuers. (c) Obtained the valuation reports and discussed with the independent valuers the results of their work. (d) Tested the integrity of the data provided to the independent valuers to underlying lease agreements. (e) Benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates. (f) We have also assessed the adequacy and appropriateness of the disclosures on valuation methodology and estimation made in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the Manager's Report, Shariah Committee Report and contents in the 2018 Annual Report of the Group and of the Fund but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of these financial statements so as to give a true and fair view in accordance with the applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts. The Manager of the Fund is also responsible for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable fair presentation of these financial statements.

In preparing the financial statements of the Group and of the Fund, the Manager of the Fund is responsible for assessing the Group's and Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager of the Fund either intends to liquidate the Group and the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT (CONTINUED)

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Fund of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

31 January 2019
Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group		The Fund	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	5	102,648,975	99,648,169	91,097,366	88,549,848
Property expenses	6	(6,039,514)	(6,441,291)	(5,934,798)	(5,962,043)
Gross profit		96,609,461	93,206,878	85,162,568	82,587,805
Investment revenue	7	2,031,968	2,272,257	10,927,032	11,167,321
Other income		510,841	1,557	510,841	1,557
Gain on fair value adjustment of investment properties	11	30,341,920	24,791,923	30,341,920	24,534,840
Total income		129,494,190	120,272,615	126,942,361	118,291,523
Expenditure:					
Finance costs:					
Islamic financing		30,129,128	27,033,850	145,182	-
Amounts due to a subsidiary		-	-	31,424,193	27,956,928
Imputed finance cost		1,449,654	923,078	9,407	-
Manager's fees		1,674,718	2,196,079	1,674,718	2,196,079
Professional fees		304,503	707,770	284,503	687,769
Valuation fees		512,358	624,928	512,358	512,830
Trustee's fees		273,226	266,224	273,226	266,224
Maintenance of property		1,160,893	746,391	1,160,893	746,391
Printing expenses		110,833	88,763	99,001	87,750
Secretarial fee		7,873	8,111	-	-
Securities Commission's fees		100	100	100	100
Registrar's fee		65,382	91,686	65,382	91,686
Audit fees		163,061	147,224	100,000	90,000
Tax agent's fee		13,400	23,910	12,600	23,000
Administration expenses		436,893	359,909	168,507	221,539
Allowance for impairment loss in investment in subsidiaries	12	-	-	7,000,000	-
Annual listing fees		5,000	5,000	5,000	5,000
Withholding tax		889,506	889,506	889,506	889,506
Shariah adviser's fee		6,000	6,000	6,000	6,000
Total expenditure		(37,202,528)	(34,118,529)	(43,830,576)	(33,780,802)
Profit before tax		92,291,662	86,154,086	83,111,785	84,510,721

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	The Group 2018 RM	The Group 2017 RM	The Fund 2018 RM	The Fund 2017 RM
Profit before tax		92,291,662	86,154,086	83,111,785	84,510,721
Tax	8	(917,208)	(1,509,552)	347	(608,822)
Profit for the year		91,374,454	84,644,534	83,112,132	83,901,899
Other comprehensive loss, net of tax					
Foreign currency translation		(5,952,492)	(2,442,000)	-	-
Total comprehensive income for the financial year		85,421,962	82,202,534	83,112,132	83,901,899
Profit for the year attributable to:					
Owners of the Fund		91,374,454	84,644,534	83,112,132	83,901,899
Total comprehensive income for the financial year attributable to:					
Owners of the Fund		85,421,962	82,202,534	83,112,132	83,901,899
Profit for the year comprise the following:					
Realised		61,032,534	59,852,611	59,770,212	59,367,059
Unrealised		30,341,920	24,791,923	23,341,920	24,534,840
		91,374,454	84,644,534	83,112,132	83,901,899
Earnings per unit (sen):	9				
Gross		12.66	11.83		
Net		12.54	11.62		
Net income distribution:	10				
Total		69,913,818	54,981,088	69,913,818	54,981,088
Per unit (sen)		9.58	7.55	9.58	7.55

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Fund 2018 RM	The Fund 2017 RM
Assets					
Non-current assets					
Investment properties	11	1,485,726,800	1,459,703,200	1,353,300,000	1,320,100,000
Investment in subsidiaries	12	-	-	35,492,186	42,492,186
Amounts due from a subsidiary	20	-	-	99,147,701	99,147,701
Total non-current assets		1,485,726,800	1,459,703,200	1,487,939,887	1,461,739,887
Current assets					
Trade receivables	13	2,246,142	5,312,154	1,216,283	217,714
Other receivables and prepaid expenses	13	1,146,478	4,460,049	1,092,670	4,412,706
Amounts due from a subsidiary	20	-	-	11,780,512	3,774,955
Fixed deposits with licensed banks		45,668,396	51,032,271	27,049,217	33,079,977
Cash and bank balances		45,680,598	35,917,278	22,639,466	21,806,132
Total current assets		94,741,614	96,721,752	63,778,148	63,291,484
Total assets		1,580,468,414	1,556,424,952	1,551,718,035	1,525,031,371
Current liabilities					
Other payables and accrued expenses	15	20,094,569	48,878,667	15,885,378	41,544,189
Amount due to a subsidiary	20	-	-	-	555,538,535
Islamic financing	17	-	573,580,634	-	-
Total current liabilities		20,094,569	622,459,301	15,885,378	597,082,724
Non-current liabilities					
Deferred tax liabilities	16	1,963,268	3,768,348	-	-
Other payables	15	6,907,481	6,907,481	6,907,481	6,907,481
Amount due to a subsidiary	20	-	-	556,002,050	-
Islamic financing	17	603,705,130	-	29,683,646	-
Total non-current liabilities		612,575,879	10,675,829	592,593,177	6,907,481
Total liabilities		632,670,448	633,135,130	608,478,555	603,990,205
Net asset value		947,797,966	923,289,822	943,239,480	921,041,166
Unitholders' fund					
Unitholders' capital	18	731,398,126	722,398,126	731,398,126	722,398,126
Undistributed income		225,896,338	204,435,702	211,841,354	198,643,040
Foreign currency translation reserve		(9,496,498)	(3,544,006)	-	-
Total unitholders' fund		947,797,966	923,289,822	943,239,480	921,041,166
Number of units in circulation	18	735,985,088	728,226,468	735,985,088	728,226,468
Net asset value per unit (ex-distribution)		1.29	1.27	1.28	1.26

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Group	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Undistributed Income Unrealised RM	Total RM	Foreign Currency Translation Reserve RM	Total Unitholders' Fund RM
At 1 January 2017		722,398,126	34,936,130	139,836,126	174,772,256	(1,102,006)	896,068,376
Total comprehensive income/(loss) for the year		-	59,852,611	24,791,923	84,644,534	(2,442,000)	82,202,534
Realisation of profit from disposal of Selesa Tower		-	12,825,000	(12,825,000)	-	-	-
Unitholders' transactions:							
Distributions to unitholders	10	-	(54,981,088)	-	(54,981,088)	-	(54,981,088)
At 31 December 2017		722,398,126	52,632,653	151,803,049	204,435,702	(3,544,006)	923,289,822
At 1 January 2018		722,398,126	52,632,653	151,803,049	204,435,702	(3,544,006)	923,289,822
Issuance of new units during the year	18	9,000,000	-	-	-	-	9,000,000
Total comprehensive income/(loss) for the year		-	61,032,534	30,341,920	91,374,454	(5,952,492)	85,421,962
Unitholders' transactions:							
Distributions to unitholders	10	-	(69,913,818)	-	(69,913,818)	-	(69,913,818)
At 31 December 2018		731,398,126	43,751,369	182,144,969	225,896,338	(9,496,498)	947,797,966

The Fund	Note	Unitholders' Capital RM	Undistributed Income Realised RM	Undistributed Income Unrealised RM	Total RM	Total Unitholders' Fund RM
At 1 January 2017		722,398,126	39,373,161	130,349,068	169,722,229	892,120,355
Total comprehensive income for the year		-	59,367,059	24,534,840	83,901,899	83,901,899
Realisation of profit from disposal of Selesa Tower		-	12,825,000	(12,825,000)	-	-
Unitholders' transactions:						
Distributions to unitholders	10	-	(54,981,088)	-	(54,981,088)	(54,981,088)
At 31 December 2017		722,398,126	56,584,132	142,058,908	198,643,040	921,041,166
At 1 January 2018		722,398,126	56,584,132	142,058,908	198,643,040	921,041,166
Issuance of new units during the year	18	9,000,000	-	-	-	9,000,000
Total comprehensive income for the year		-	59,770,212	23,341,920	83,112,132	83,112,132
Unitholders' transactions:						
Distributions to unitholders	10	-	(69,913,818)	-	(69,913,818)	(69,913,818)
At 31 December 2018		731,398,126	46,440,526	165,400,828	211,841,354	943,239,480

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	92,291,662	86,154,086	83,111,785	84,510,721
Adjustments for:				
Finance costs	31,578,782	27,956,928	31,578,782	27,956,928
Investment revenue	(2,031,968)	(2,272,257)	(10,927,032)	(11,167,321)
Allowance for impairment loss in investment in subsidiaries	-	-	7,000,000	-
Gain on fair value adjustment of investment properties	(30,341,920)	(24,791,923)	(30,341,920)	(24,534,840)
Operating income before working capital changes	91,496,556	87,046,834	80,421,615	76,765,488
Changes in working capital:				
Trade receivables	3,066,012	5,937,413	(998,569)	9,484,500
Other receivables and prepaid expenses	842,920	(257,721)	849,385	(254,751)
Other payables and accrued expenses	(39,843,444)	142,959	(39,863,323)	161,753
Net Changes In Working Capital	(35,934,512)	5,822,651	(40,012,507)	9,391,502
Cash Flows Generated From Operating Activities	55,562,044	92,869,485	40,409,108	86,156,990
Real Property Gain Tax refunded/(paid)	2,391,525	(3,000,000)	2,391,525	(3,000,000)
Net Cash From Operating Activities	57,953,569	89,869,485	42,800,633	83,156,990
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investment properties	-	100,000,000	-	100,000,000
Income received on investment	2,115,978	2,262,636	2,115,978	2,262,636
Profit sharing from advances to subsidiaries	-	-	889,507	3,585,896
Enhancement to investment properties	(2,858,080)	(506,160)	(2,858,080)	(506,160)
Additions to investment properties (Note)	-	(13,139,000)	-	(13,139,000)
Net Cash (Used In)/From Investing Activities	(742,102)	88,617,476	147,405	92,203,372
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs paid on Islamic financing	(32,223,403)	(30,238,338)	(149,719)	-
Finance costs paid on amount due to a subsidiary	-	-	(28,064,501)	(29,058,057)
Transaction costs paid	(2,280,586)	-	(225,761)	-
Decrease in amount due to a subsidiary	-	-	(2,896,177)	(80,995,468)
Income distributions	(55,709,306)	(54,981,088)	(55,709,306)	(54,981,088)
Increase in restricted cash	(665,782)	(611,784)	-	-
Proceeds from issuance of units	9,000,000	-	9,000,000	-
Net proceeds/(repayment) from Islamic financing	29,900,000	(80,000,000)	29,900,000	-
Net Cash Used In Financing Activities	(51,979,077)	(165,831,210)	(48,145,464)	(165,034,613)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,232,390	12,655,751	(5,197,426)	10,325,749

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	The Group 2018 RM	The Group 2017 RM	The Fund 2018 RM	The Fund 2017 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,232,390	12,655,751	(5,197,426)	10,325,749
Effects of changes in exchange rates		(1,498,727)	(119,871)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		68,999,400	56,463,520	54,886,109	44,560,360
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	72,733,063	68,999,400	49,688,683	54,886,109

Note: Addition to investment properties by the Group and the Fund during the financial year through the following:

	The Group 2018 RM	The Group 2017 RM	The Fund 2018 RM	The Fund 2017 RM
Payment by cash	-	13,139,000	-	13,139,000
Other payable	-	120,000	-	120,000
	-	13,259,000	-	13,259,000

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

Al-`Aqar Healthcare REIT (the "Fund") is a Malaysian domiciled Islamic Real Estate Investment Trust constituted pursuant to a Trust Deed ("Principal Trust Deed") dated 27 June 2006 between Damansara REIT Managers Sdn Bhd ("the Manager") and Amanah Raya Bhd. Pursuant to the Principal Trust Deed, the Fund entered into a Supplemental Trust Deed dated 14 May 2010 with Amanah Raya Bhd and AmanahRaya Trustees Bhd ("the Trustee") for the retirement of Amanah Raya Bhd from acting as a Trustee and for the appointment of AmanahRaya Trustees Bhd as the new Trustee for the Fund. On 31 July 2013, the Manager and the Trustee entered into a Restated Trust Deed ("the Deed"). The Fund is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts ("the SC Guidelines") and Islamic Real Estate Investment Trusts, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Rules of the Depository, and taxation laws and rulings of Malaysia. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Deed.

The Fund was listed on the Main Board of Bursa Malaysia on 10 August 2006 and commenced its business operations on 17 August 2006. Consequent to the new board structure implemented by Bursa Malaysia on 3 August 2010, the Fund is now listed on the Main Market of Bursa Malaysia.

On 26 April 2013, at the Extraordinary General Meeting, the unitholders of The Fund approved the proposed amendments and consolidation of the Trust Deed and Supplemental Trust Deed into a Restated Trust Deed. The Restated Trust Deed was executed on 31 July 2013 and was lodged with the Securities Commission on 11 November 2013. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Restated Trust Deed.

The principal activity of the Group and the Fund is to invest in Shariah-compliant properties with the primary objective of providing unitholders with stable distribution and potential for sustainable long term growth of such distribution and capital appreciation.

The registered office of the Manager is located at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The principal place of business of the Manager is located at Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

The Fund has entered into several service agreements in relation to the management of the Fund and its property operations. The fees structure of these services is as follows:

(i) Maintenance and management fee

The maintenance manager, Healthcare Technical Services Sdn Bhd, is entitled to an annual maintenance and management fee of up to 0.08% of the gross value of the investment properties in respect of the management of the investment properties owned by the Fund in accordance with the Property Maintenance Agreement. The fee is calculated on a monthly accrual basis.

(ii) Manager's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Manager is entitled to receive the following fees from the Fund:

(a) Management fee of 0.1% per annum of the gross assets value of the Fund that is below RM1,000,000,000 and 0.125% of the gross assets value of the Fund that exceeds RM1,000,000,000 calculated based on monthly accrual basis and payable monthly in arrears;

The Management fee for the current financial year is RM1,674,718 (2017: RM1,696,079).

(b) An acquisition fee of 1% of the acquisition price of any investment property purchased directly or indirectly by the Fund which is payable after the completion of the acquisition; and

The acquisition fee to the Manager during the current financial year is RM Nil (2017: RM130,000).

(c) A disposal fee of 0.5% of the disposal price of any investment property to be disposed directly or indirectly by the Fund which is payable upon completion of the disposal.

The disposal fee to the Manager during the current financial year is RM Nil (2017: RM500,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1. CORPORATE INFORMATION (CONTINUED)

(iii) Trustee's fee

Pursuant to the Restated Trust Deed dated 31 July 2013, the Trustee is entitled to receive a fee of up to 0.03% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears. The Trustee's fees for the financial year ended 31 December 2018 of RM273,226 (2017: RM266,224) is determined based on 0.03% (2017: 0.03%) of the monthly net asset value.

The financial statements of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 31 January 2019.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Fund have been prepared in accordance with the applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the SC Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

At the beginning of the current financial year, the Group and the Fund adopted new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2018 as fully described in Note 2.1.

2.1 Adoption of New Malaysian Financial Reporting Standards, Amendments to MFRSs, and Issues Committee Interpretation ("IC Interpretation")

In the current financial year, the Group and the Fund adopted all the new MFRSs, amendments to MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Transfers of Investment Property
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new MFRSs, amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and the Fund and had no significant effect on the financial performance or position of the Group and the Fund except for the adoption of MFRS 9 and MFRS 15 as disclosed in Note 28.

2.2 Standards, Amendments to MFRSs and IC Interpretation in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new Standards, Amendments to MFRSs and IC Interpretations that are relevant to the Group and the Fund which were in issue but not yet effective and not early adopted by the Group and the Fund are as listed below:

MFRS 16	Leases[1]
Amendments to MFRS 3	Definition of a Business[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[1]
IC Interpretation 23	Uncertainty over Income Tax Payments[1]
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[2]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards, Amendments to MFRSs and IC Interpretation in issue but not yet effective (continued)

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted.

The Manager anticipates that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Fund when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Fund in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Fund have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration in exchange for assets.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Fund controls an investee if and only if the Fund has all the following:

(i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Fund has less than a majority of the voting rights of an investee, the Fund considers the following in assessing whether or not the Fund's voting rights in an investee are sufficient to give it power over the investee:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Fund's voting rights and potential voting rights.

Subsidiaries are consolidated when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to undistributed income. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

Business Combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.3 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Group's and the Fund's functional currency.

(ii) Foreign currency translations

Transactions in foreign currencies are measured in the respective functional currencies of the Fund and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling as at the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currencies (continued)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling as at the end of the reporting period and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

3.4 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group or the Fund holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

3.5 Non-current assets classified as held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

3.6 Financial instruments

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. The adoption of MFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group and Fund have elected to apply the limited exemption in MFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings,
(b) financial assets are not reclassified in the balance sheet for the comparative period,
(c) provisions for impairment have not been restated in the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Financial assets - classification and measurement

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group and the Fund classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Fund have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group and the Fund reclassify debt investments when and only when the business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Fund commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Fund measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Fund classify their debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Profit income from these financial assets is included in investment revenue using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(b) Fair Value through Other Comprehensive Income ("FVTOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income/(losses). Profit income from these financial assets is included in investment revenue using the effective profit rate method. Foreign exchange gains and losses are presented in other income/(losses) and impairment expenses are presented as separate line item in the statements of comprehensive income.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable.

(c) Fair Value through Profit or Loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group and the Fund may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(losses) in the period which it arises.

Equity instruments

The Group and the Fund subsequently measure all equity investments at fair value. Where the Group's and the Fund's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(c) Fair Value through Profit or Loss ("FVTPL") (continued)

Accounting policies applied until 31 December 2017

(i) Classification

Until 31 December 2017, the Group and the Fund classified their financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets ("AFS")

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Financial assets at Fair Value through Profit or Loss ("FVTPL")

The Group and the Fund classified financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets.

If not, they are presented as non-current assets. The Group's and the Fund's loans and receivables comprise 'trade and other receivables', 'fixed deposits with licensed banks', 'cash and bank balances' and 'amounts due from a subsidiary' in the statements of financial position.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Group's and the Fund's management has the positive intention and ability to hold to maturity. If the Group and the Fund were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as AFS. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(c) Fair Value through Profit or Loss ("FVTPL") (continued)

Available-for-sale financial assets ("AFS") (continued)

(ii) Reclassification

The Group and Fund may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Fund may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group and the Fund have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective profit rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective profit rates prospectively.

(iii) Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective profit method.

AFS financial assets and financial assets at FVTPL were subsequently carried at fair value.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation, profit income and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses.

Impairment of financial assets

Accounting policies applied from 1 January 2018

Impairment for debt instruments

The Group and the Fund assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(i) Impairment for debt instruments

The Group and the Fund assess on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and at FVTOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Fund have three types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amount owing from subsidiaries

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(c) Fair Value through Profit or Loss ("FVTPL") (continued)

Accounting policies applied from 1 January 2018 (continued)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between the present value of contractual cash flows and the present value of cash flows the Group and the Fund expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(d) General 3-stage approach for other receivables and amount owing from a subsidiary

At the end of each reporting period, the Group and the Fund measure ECL through a loss allowance at an amount equal to the 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Note 23 sets out the measurement details of ECL.

(e) Simplified approach for trade receivables

The Group and the Fund apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Note 23 sets out the measurement details of ECL.

Accounting policies applied until 31 December 2017

In the prior year, the Group and the Fund assessed impairment of financial assets based on the incurred loss model.

Assets carried at amortised cost

The Group and the Fund assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group and the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as AFS

The Group and the Fund assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Fund use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Accounting policies applied from 1 January 2018

(ii) Significant increase in credit risk

The Group and the Fund consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Fund compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(ii) Significant increase in credit risk (continued)

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group and the Fund define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Fund define a financial instrument as in default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Fund consider the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

(iv) Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables from rental receivable from lessees have been grouped based on shared credit risk characteristics, geographical location and the days past due.

(b) Individual assessment

Trade and other receivables which are in default or credit-impaired are assessed individually. Amount owing from subsidiaries in the Fund's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each amount owing from subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(v) Write off

(a) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Fund, and a failure to make contractual payments for a period of greater than 60 days past due.

Impairment losses on trade receivables are presented as net impairment losses within profit before taxes. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables and amount owing from a subsidiary

The Group and the Fund write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities comprise other payables and accrued expenses, Islamic financing, amounts due to subsidiaries and related companies.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for amount owing to a subsidiary of the Fund, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective profit method except for the derivatives in a loss position which are measured at fair value through profit or loss at the end of each reporting period.

For financial liabilities other than the derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of the derivatives that does not qualify for hedge accounting are recognised in profit or loss within other income/(losses), net. Net gains or losses on derivatives include exchange differences.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

Financial liabilities (continued)

Islamic financing are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Foreign exchange differences are capitalised to the extent of the capitalisation of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of Islamic financing facilities are recognised as transaction costs of the Islamic financing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

From 1 January 2018, when Islamic financing measured at amortised cost is modified without this resulting in derecognition, any gains or losses, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective profit rate, shall be recognised immediately in profit or loss in finance cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.7 Cash and cash equivalents

The Group and the Fund adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances and other short-term, highly liquid investments with from the date of acquisition and are readily convertible to cash and with insignificant risk of changes in value and excludes amounts which are restricted for general use.

3.8 Provisions

Provisions are recognised when the Group or the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases

(i) As lessee

Finance leases, which transfer to the Group or the Fund substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group or the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group or the Fund retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3.10 Revenue

Prior to the adoption of MFRS 15, the Group's and the Fund's revenue are recognised at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Fund's activities. With the adoption of MFRS 15 "Revenue from Contracts with Customers" in the current financial year, the Group's and the Fund's revenue from contracts with customers are recognised by reference to each distinct performance obligation in the contract with customer.

A contract with customer exists when the contract has commercial substance, the Group, the Fund and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Fund's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Fund will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Fund expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Fund estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue (continued)

(ii) Investment revenue

Investment revenue, which comprise income earned from Islamic fixed deposit placements and profit sharing on advances, are recognised using the effective profit method.

From 1 January 2018, profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Prior to 1 January 2018 and until 31 December 2017, when a loan and receivable is impaired, the Group and the Fund reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continue unwinding the discount as profit income. Profit income on impaired loans and receivables is recognised using the original effective profit rate.

3.11 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Income taxes (continued)

(ii) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority and the Group and the Fund intend to settle their current tax assets and liabilities on a net basis.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Manager reviewed that the Group's and the Fund's investment property portfolios and concluded that all of the Group's and the Fund's investment properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Manager has determined that the "sale" presumption set out in the amendments to MFRS 112 is rebutted. As a result, the Group and the Fund have recognised deferred taxes on changes in fair value of the investment properties using the tax rates that would apply on the consumption of the economic benefits embodied in the investment properties over time.

In accordance with Section 61A(1) of the Income Tax Act 1967, the total income of the Fund will be exempted from income tax provided that at least 90% of the total taxable income of the Fund is distributed to unit holders within two months from the end of the financial year.

3.12 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Fund who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 24, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.13 Unitholders' capital and unit issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Unitholders' capital are recorded at the proceeds received, net of direct attributable transactions costs and are classified as equity. Distributions on Unitholders' capital are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of profit expense and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

3.15 Current versus non-current classification

The Group and the Fund present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in the normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the reporting date; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when it is:

(i) expected to be settled in the normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting date; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current.

3.16 Fair value measurement

The Group and the Fund measure financial instruments such as derivatives at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurement (continued)

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Fund use calculation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group and the Fund have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's and of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Fund's accounting policies, the Manager has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured at fair value, the Group and the Fund have concluded that certain investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied based in the investment properties over time while others are held for eventual sale. As a result, the Group and the Fund have measured deferred tax on changes in fair values of these investment properties using the income tax rate or the real property gain tax rate, as appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) **Fair value of investment properties**

The fair value of the Group's and of the Fund's investment properties has been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd, Messrs. Knight Frank Malaysia Sdn Bhd and Messrs. Henry Butcher Malaysia Sdn Bhd, independent valuers not related to the Group and the Fund, in accordance with Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair value was determined based on capitalisation of net income method ("investment method") as the primary valuation method with comparison and cost methodologies as a secondary check. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. The valuers have considered the results of the above methods in their valuation and applied professional judgement in the determination of the fair value of the Group's and of the Fund's investment properties. Further details are disclosed in Note 11.

(b) **Impairment of investment in a subsidiary**

The Fund reviews the carrying amount of investment in subsidiary at the end of each reporting period. The recoverable amount of the investment in subsidiary has been determined on the basis of its fair value less cost of disposal. The fair value of disposal is determined based on the realisable value of the assets of the subsidiary to the Fund determined using the foreign exchange rate at the end of the reporting period. The net carrying amount of investment in subsidiary as at 31 December 2018 is RM35,492,186 and an impairment loss amounting to RM7,000,000 has been recognised in profit or loss during the current financial year. Further details are disclosed in Note 12.

5. REVENUE

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Rental income from:				
KPJ Ampang Puteri Specialist Hospital	9,750,629	9,559,440	9,750,629	9,559,440
KPJ Tawakkal Specialist Hospital	8,774,968	8,602,910	8,774,968	8,602,910
KPJ Damansara Specialist Hospital	8,568,734	8,400,720	8,568,734	8,400,720
KPJ Johor Specialist Hospital	8,420,998	8,255,880	8,420,998	8,255,880
KPJ Klang Specialist Hospital	7,294,165	7,316,432	7,294,165	7,316,432
KPJ Ipoh Specialist Hospital	5,355,459	5,250,450	5,355,459	5,250,450
KPJ Selangor Specialist Hospital	5,687,512	4,683,496	5,687,512	4,683,496
KPJ Penang Specialist Hospital	4,624,162	4,552,991	4,624,162	4,552,991
KPJ Seremban Specialist Hospital	4,746,045	4,672,998	4,746,045	4,672,998
KPJ Healthcare University College, Nilai	4,406,749	4,170,903	4,406,749	4,170,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. REVENUE (CONTIUED)

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Kedah Medical Centre	3,731,878	3,666,164	3,731,878	3,666,164
KPJ Perdana Specialist Hospital	3,248,250	3,187,208	3,248,250	3,187,208
KPJ Kajang Specialist Hospital	3,334,870	3,272,358	3,334,870	3,272,358
Tawakal Health Centre	3,223,782	3,160,570	3,223,782	3,160,570
Puteri Specialist Hospital	3,176,341	3,114,060	3,176,341	3,114,060
Sentosa Medical Centre	1,992,359	1,959,697	1,992,359	1,959,697
Kuantan Specialist Hospital	1,434,008	1,426,569	1,434,008	1,426,569
KPJ College, Bukit Mertajam	1,196,668	1,178,250	1,196,668	1,178,250
Kota Kinabalu Specialist Hospital	1,122,800	1,112,954	1,122,800	1,112,954
Taiping Medical Centre	714,637	719,179	714,637	719,179
Kluang Utama Specialist Hospital	292,352	286,619	292,352	286,619
Jeta Gardens Aged Care Facility and Retirement Village	11,551,609	11,098,321	-	-
	102,648,975	99,648,169	91,097,366	88,549,848

6. PROPERTY EXPENSES

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Assessment	3,134,453	3,328,142	3,134,453	3,328,142
Takaful coverage	1,306,568	1,119,130	1,306,568	1,119,130
Maintenance fee	1,166,556	1,549,881	1,061,840	1,070,633
Quit rent	431,937	444,138	431,937	444,138
	6,039,514	6,441,291	5,934,798	5,962,043

7. INVESTMENT REVENUE

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Income from Islamic fixed deposits placements	2,031,968	2,272,257	2,031,968	2,272,257
Profit sharing on advances from Australia	-	-	8,895,064	8,895,064
	2,031,968	2,272,257	10,927,032	11,167,321

8. TAX

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Recognised in profit or loss:				
Current tax:				
Real Property Gain Tax ("RPGT")	-	(608,822)	-	(608,822)
Overprovision in previous years	347	9,144	347	-
Deferred tax (Note 16)	(917,555)	(909,874)	-	-
	(917,208)	(1,509,552)	347	(608,822)
Recognised in other comprehensive income:				
Deferred tax arising from translation of a foreign operation (Note 16)	2,491,980	875,763	-	-

Reconciliation between tax and accounting profit

A reconciliation of tax applicable to profit before tax at the statutory income tax rate to tax at the effective income tax rate of the Group and of the Fund are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	92,291,662	86,154,086	83,111,785	84,510,721
Tax at Malaysian statutory tax rate of 24%	(22,149,999)	(20,676,981)	(19,946,828)	(20,282,573)
Different tax rates in other countries	388,105	(587,557)	-	-
Adjustments:				
Non-deductible expenses	(1,025,004)	(1,075,474)	(2,297,445)	(776,901)
Income not subject to tax	10,062,467	6,434,077	10,021,606	8,568,892
Income exempted from tax	11,806,876	14,996,061	12,222,667	12,490,582
RPGT	-	(608,822)	-	(608,822)
Overprovision of current tax in previous years	347	9,144	347	-
Tax recognised in profit or loss	(917,208)	(1,509,552)	347	(608,822)

Pursuant to the Section 61A of the Income Tax Act 1967 (ITA), where 90% or more of the total income of the unit trust is distributed to the unit holder, the total income of the unit trust for that year of assessment shall be exempted from tax. The Manager also expects to distribute the net income within two 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8. TAX (CONTINUED)

Taxation of the Unitholders

Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the Real Estate Investment Trust's ("REIT") total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

9. EARNINGS PER UNIT

The gross and net earnings per unit, which are calculated based on the profit before tax and profit for the financial year of the Group and of the Fund, respectively, divided by the weighted average number of units in circulation as of 31 December 2018 and 2017, are as follows:

	The Group	
	2018 RM	2017 RM
Earnings attributable to unitholders:		
Profit before tax	92,291,662	86,154,086
Profit for the financial year	91,374,454	84,644,534
Weighted average number of units	728,885,419	728,226,468
Gross earnings per unit (sen)	12.66	11.83
Net earnings per unit (sen)	12.54	11.62

10. NET INCOME DISTRIBUTIONS

For the financial year ended 31 December 2018 and 2017, the Manager, with the approval of the Trustee, has declared the following distributions:

	The Group and the Fund	
	2018 RM	2017 RM
Final distribution 2017 - 3.95 sen per unit (2016: 3.80 sen)	28,764,942	27,672,596
First interim distribution 2018 - 1.75 sen per unit (2017: 3.75 sen)	12,743,963	27,308,492
Second interim distribution 2018 - 1.95 sen per unit	14,200,416	-
Third interim distribution 2018 - 1.93 sen per unit	14,204,497	-
	69,913,818	54,981,088

The Manager had declared a final income distribution of 2.07 sen per unit totaling RM15,234,891 for the financial year ended 31 December 2018 on 30 January 2019 and has not been included as a liability in the financial statements.

The total distributions (including proposed final distribution) for the financial year ended 31 December 2018 amount to RM56,383,767 (2017: RM56,073,438). Total distribution is 7.70 sen per unit (2017: 7.70 sen per unit).

Distribution to unitholders is derived from the following sources:

	The Fund	
	2018 RM	2017 RM
Net rental income	85,162,568	82,587,805
Investments revenue	10,927,032	11,167,321
Other income	510,841	1,557
	96,600,441	93,756,683
Less: Expenses	(43,830,576)	(33,780,802)
	52,769,865	59,975,881
Less: Undistributed income	(11,620,989)	(32,667,389)
	41,148,876	27,308,492

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11. INVESTMENT PROPERTIES

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	1,459,703,200	1,424,360,000	1,320,100,000	1,281,800,000
Addition	-	13,259,000	-	13,259,000
Enhancements	2,858,080	506,160	2,858,080	506,160
Gain on fair value of investment properties	30,341,920	24,791,923	30,341,920	24,534,840
Effect of foreign currency exchange differences	(7,176,400)	(3,213,883)	-	-
At 31 December	1,485,726,800	1,459,703,200	1,353,300,000	1,320,100,000
Land and buildings at fair value	1,485,726,800	1,459,703,200	1,353,300,000	1,320,100,000

Fair value measurement of the Fund's investment properties

The fair values of the Group's and of the Fund's investment properties have been arrived at on the basis of a valuation carried out by Messrs. Cheston International (KL) Sdn Bhd ("Cheston"), Messrs. Knight Frank Malaysia Sdn Bhd ("Knight Frank"), and Messrs. Henry Butcher Malaysia Sdn Bhd ("Henry Butcher"), independent valuers not related to the Group and the Fund. Messrs. Cheston, Messrs. Knight Frank and Messrs. Henry Butcher are registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Group's and of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair values were determined based on the capitalisation of net income method ("investment method") and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The values estimated under this method are derived by ascertaining the market rent of the properties; deducting all reasonable annual operating expenses (as would be experienced under typical management) and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the income stream. In undertaking their assessment of the value using this approach, the market rental income and expected future rental income are taken into consideration. In arriving at the net income, the outgoings i.e. quit rent, assessment, takaful coverage and repairs and maintenance, are deducted from gross rental income together with allowance for void.

In estimating the fair values of the investment properties, the highest and best use of the investment properties is their current use.

The fair value of the investment properties are classified as Level 3 for fair value hierarchy disclosure purposes. The significant unobservable inputs applied by the independent valuers in applying the investment method above are as follows:

Significant unobservable inputs	**Inter-relationship between significant unobservable inputs and fair value measurement**
Term yield ranging from 6.00% - 8.25% (2017: 6.00% - 8.25%)	- Higher term yield rates, lower fair value
Reversionary yield ranging from 6.25% - 8.50% (2017: 6.25% - 8.50%)	- Higher reversionary yield rates, lower fair value
Allowance for void of 2.50% - 7.50% (2017: 3.00% - 7.50%)	- Higher allowance for void rate, lower fair value

The valuers had adopted market corroborated capitalisation rates, which is the most frequently adopted methodology by the property industry in Malaysia and in Australia, based on information pertaining to recent comparable sales which are publicly available, adjusted for the location, quality and characteristics of the investment properties.

11. INVESTMENT PROPERTIES (CONTINUED)

A summary of the investment properties of the Group and the Fund, as required to be disclosed by the SC Guidelines, are as follows:

The Group and the Fund

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Date of valuation	2018 Fair value RM	2017 Fair value RM	Fair value hierarchy
KPJ Ampang Puteri Specialist Hospital #**	Leasehold	99	71	Ampang	31 December 2018	135,000,000	135,000,000	3
KPJ Damansara Specialist Hospital #**	Freehold	-	-	Damansara	31 December 2018	131,000,000	121,700,000	3
KPJ Johor Specialist Hospital #**	Leasehold	99	61	Johor Bahru	31 December 2018	120,000,000	116,800,000	3
KPJ Ipoh Specialist Hospital #*	Leasehold	999	876	Ipoh	31 October 2018	76,100,000	73,000,000	3
Puteri Specialist Hospital #**	Leasehold	99	37	Johor Bahru	31 December 2018	42,000,000	43,000,000	3
KPJ Selangor Specialist Hospital #**	Leasehold	99	78	Shah Alam	31 December 2018	80,000,000	80,800,000	3
Kedah Medical Centre #**	Freehold	-	-	Alor Setar	31 December 2018	52,000,000	51,700,000	3
KPJ Perdana Specialist Hospital #*	Leasehold	66	46	Kota Bharu	29 October 2018	45,000,000	45,000,000	3
Kuantan Specialist Hospital #*	Freehold	-	-	Kuantan	16 November 2018	20,500,000	21,700,000	3
Sentosa Medical Centre #*	Freehold	-	-	Kuala Lumpur	31 October 2018	30,000,000	30,000,000	3
KPJ Kajang Specialist Hospital #*	Freehold	-	-	Kajang	30 October 2018	50,600,000	48,400,000	3
Taiping Medical Centre #**	Leasehold	99	70	Taiping	31 December 2018	10,000,000	10,000,000	3
Damai Specialist Hospital #**	Leasehold	99	55	Kota Kinabalu	31 December 2018	15,100,000	15,200,000	3
KPJ College, Bukit Mertajam #**	Freehold	-	-	Bukit Mertajam	31 December 2018	16,200,000	16,200,000	3
Tawakal Health Centre #*	Leasehold	99	59	Kuala Lumpur	1 November 2018	48,400,000	47,000,000	3
KPJ Healthcare University College, Nilai New Building*	Freehold	-	-	Seremban	1 November 2018	105,400,000	100,600,000	3
KPJ Seremban Specialist Hospital #*	Freehold	-	-	Seremban	15 November 2018	69,500,000	66,300,000	3
KPJ Penang Specialist Hospital #**	Freehold	-	-	Bukit Mertajam	31 December 2018	63,000,000	64,000,000	3
KPJ Tawakkal Specialist Hospital #*	Freehold	-	-	Kuala Lumpur	30 October 2018	135,200,000	127,900,000	3
Kluang Utama Specialist Hospital #**	Leasehold	99	82	Kluang	31 December 2018	5,000,000	4,300,000	3
KPJ Klang Specialist Hospital #*	Leasehold	99	75	Klang	5 November 2018	103,300,000	101,500,000	3
Total for the Fund						1,353,300,000	1,320,100,000	
Jeta Garden Aged Care Facility and Retirement Village***	Freehold	-	-	Queensland	7 December 2018	132,426,800	139,603,200	3
Total for the Group						1,485,726,800	1,459,703,200	

\# The investment properties amounting to RM1,231,700,000 (2017: RM1,239,400,000) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by a subsidiary company as disclosed in Note 17.

* Based on valuation carried out by independent professional valuer, Messrs. Henry Butcher.

** Based on valuation carried out by independent professional valuer, Messrs. Knight Frank.

*** Based on valuation carried out by independent professional valuer, Messrs. Cheston.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12. INVESTMENT IN SUBSIDIARIES

	The Fund	
	2018 RM	2017 RM
Unquoted shares, at costs	42,492,186	42,492,186
Less: Accumulated impairment losses	(7,000,000)	-
	35,492,186	42,492,186

The movement in the accumulated impairment losses is as follows:

	The Fund	
	2018 RM	2017 RM
At beginning of year	-	-
Allowance for impairment losses	7,000,000	-
At end of year	7,000,000	-

The details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activity
Al-`Aqar Capital Sdn Bhd [(i)]	Malaysia	100	100	Special purpose company for the purpose of raising Islamic Financing for the Fund
Al-Aqar Australia Pty Ltd [(ii)]	Australia	100	100	Special purpose company for the purpose of acquisition of Australian property for the Fund

(i) Audited by Deloitte PLT
(ii) Audited by a firm other than Deloitte PLT

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	2,246,142	5,312,154	1,216,283	217,714

Trade receivables comprise rental receivable from lessees.

The credit period granted by the Group and the Fund on rental receivable from lessees ranges from 30 to 60 days (2017: 30 to 60 days).

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
0 - 30 days	1,798,072	1,075,314	768,213	13,150
31 - 60 days	448,070	1,057,126	448,070	-
61 - 90 days	-	1,002,780	-	-
More than 90 days	-	2,176,934	-	204,564
	2,246,142	5,312,154	1,216,283	217,714

The Group and the Fund estimate the loss allowance on trade receivables at the end of the reporting period at an amount equal to lifetime expected credit losses. None of the trade receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the trade receivables operate, together with the value of collateral held over these trade receivables as disclosed in Note 15, the Manager considers that no trade receivables is impaired.

The currency exposure profile of the trade receivables of the Group and of the Fund are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	1,216,283	217,714	1,216,283	217,714
Australian Dollar	1,029,859	5,094,440	-	-
	2,246,142	5,312,154	1,216,283	217,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (CONTINUED)

Other receivables and prepaid expenses consist of:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	131,893	541,217	78,085	493,874
RPGT recoverable	-	2,391,178	-	2,391,178
Prepaid expenses	1,010,048	1,527,654	1,010,048	1,527,654
Prepaid profit for Murabahah Tawarruq (Note 17)	4,537	-	4,537	-
	1,146,478	4,460,049	1,092,670	4,412,706

All other receivables of the Group and the Fund are denominated in Ringgit Malaysia.

None of the other receivables is past due, and taking into account the historical default experience and the future prospects of the industries in which the other receivables operate, the Manager concludes that no loss allowance is required for the other receivables.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	45,680,598	35,917,278	22,639,466	21,806,132
Fixed deposits with licensed banks	45,668,396	51,032,271	27,049,217	33,079,977
	91,348,994	86,949,549	49,688,683	54,886,109
Less: Restricted cash	(18,615,931)	(17,950,149)	-	-
	72,733,063	68,999,400	49,688,683	54,886,109

Fixed deposits with licensed banks earn profit at rates between 3.35% to 3.84% (2017: 3.10% to 3.60%) per annum and have maturity periods of between 30 to 90 days (2017: 30 to 90 days).

The currency exposure profile of cash and cash equivalents are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	51,936,277	61,141,679	49,688,683	54,886,109
Australian Dollar	20,796,786	7,857,721	-	-
	72,733,063	68,999,400	49,688,683	54,886,109

Included in cash and bank balances and fixed deposits with licensed banks of the Group are deposits amounting to RM18,615,931 (2017: RM17,950,149) which are placed as reserve for repayment of finance costs on long-term Islamic financing and hence, are not available for general use as mentioned in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current:				
Other payables - tenant deposits received	6,907,481	6,907,481	6,907,481	6,907,481
Current:				
Amount owing to the Trustee	23,023	23,029	23,023	23,029
Amount owing to the Manager	141,271	139,955	141,271	139,955
Amounts owing to related companies	346,271	39,680,000	346,271	39,680,000
Other payables	371,845	582,566	102,231	423,035
Third interim income distribution payable (Note 10)	14,204,497	-	14,204,497	-
Accrued financing costs on Sukuk Ijarah Programme (Note 17)	3,871,840	7,017,006	-	-
Other accrued expenses	1,135,822	1,436,111	1,068,085	1,278,170
	20,094,569	48,878,667	15,885,378	41,544,189
	27,002,050	55,786,148	22,792,859	48,451,670

Amounts owing to related companies in the current year represents registrar's fee, secretarial fee and maintenance fee payable to related companies. The amounts are non-trade, unsecured, interest-free and repayable on demand.

Amounts owing to related companies in 2017 represents an outstanding balance of RM38,900,000 and RM780,000 in respect of the purchased of investment property in prior years together with its related Goods and Services Tax borne by the Fund, respectively. The amounts were unsecured, interest-free and repayable on demand.

The currency exposure profile of other payables and accrued expenses are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	26,703,548	55,502,694	22,792,859	48,451,670
Australian Dollar	298,502	283,454	-	-
	27,002,050	55,786,148	22,792,859	48,451,670

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16. DEFERRED TAX LIABILITIES

	The Group	
	2018 RM	2017 RM
At beginning of year	3,768,348	3,750,228
Transfer from profit or loss (Note 8)	917,555	909,874
Transfer from other comprehensive income (Note 8)	(2,491,980)	(875,763)
Effect of foreign currency exchange differences	(230,655)	(15,991)
At end of year	1,963,268	3,768,348
Deferred tax liabilities (before offsetting)		
Temporary differences arising from revaluation of investment property	7,543,837	7,313,785
Offsetting	(5,580,569)	(3,545,437)
Deferred tax liabilities (after offsetting)	1,963,268	3,768,348
Deferred tax assets (before offsetting)		
Temporary differences arising from:		
Accrued expenses	12,142	15,251
Unrealised foreign exchange loss	3,197,773	875,763
Unused tax losses	2,370,654	2,654,423
	5,580,569	3,545,437
Offsetting	(5,580,569)	(3,545,437)
Deferred tax assets (after offsetting)	-	-

The availability of the unused tax losses for offsetting against future taxable profit of the Group is subject to agreement with the tax authorities.

17. ISLAMIC FINANCING

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Sukuk Ijarah - Islamic Medium Term Notes ("IMTNs")				
- Non-current	575,000,000	-	-	-
- Current	-	573,944,572	-	-
Murabahah Tawarruq Term Financing-i ("Murabahah Tawarruq")				
- Non-current	29,900,000	-	29,900,000	-
	604,900,000	573,944,572	29,900,000	-
Less: Transaction costs	(1,194,870)	(363,938)	(216,354)	-
	603,705,130	573,580,634	29,683,646	-

Sukuk Ijarah

On 29 April 2013, the Group, through a wholly-owned-subsidiary, Al-`Aqar Capital Sdn Bhd established a Sukuk Ijarah Programme comprising IMTNs of up to RM1.0 billion in nominal value and issued IMTNs of RM655,000,000 in nominal value ("Issue 1"). The initial transaction costs incurred for the Issue 1 was RM2,373,693 with annual private debt security expenses amounting to RM301,500.

On 20 July 2017, the Group made a partial early one-off redemption of RM80,000,000 in nominal value of unrated Class C IMTNs of Issue 1. The redemption was made by using the proceeds from the disposal of an investment property.

On 4 May 2018, the Group redeemed the outstanding IMTNs of Issue 1 of RM575,000,000 together with the outstanding profit due on maturity and refinanced the IMTNs via an issuance of RM575,000,000 in nominal value of IMTNs ("Issue 2"). The initial transaction costs incurred for the Issue 2 was RM660,520 with annual private debt security expenses amounting to RM1,394,305.

On 20 December 2018, the Group re-rated RM112,000,000 in nominal value of unrated Class C IMTNs of Issue 2. The re-rating exercise had led to an early redemption of the Class C IMTNs of Issue 2 and an additional issuance of RM75,000,000 in nominal value of Class A IMTNs of Issue 2 and RM37,000,000 in nominal value of IMTNs of Issue 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17. ISLAMIC FINANCING (CONTINUED)

As at the end of the reporting period, the Sukuk Ijarah Programme, which is secured against the investment properties totaling RM1,231,700,000 (2017: RM1,239,400,000) as mentioned in Note 11, comprises the following tranches at nominal value:

	Nominal value 2018 RM	Nominal value 2017 RM	Rating	Profit rate (%)
Non-current				
Issue II - Tranche 1				
Issued on 4 May 2018				
Class A IMTNs	220,000,000	-	AAA	4.64
Class B IMTNs	23,000,000	-	AA2	4.95
Class C IMTNs	220,000,000	-	Unrated	5.60
Class C IMTNs (iv)	112,000,000	-	Unrated	5.60
Total (iii)	575,000,000	-		
Issue II - Tranche 2				
Issued on 20 December 2018				
Class A IMTNs	75,000,000	-	AAA	4.68
Class B IMTNs	37,000,000	-	AA2	4.98
Total (iv)	112,000,000	-		
Current				
Issue I - Tranche 1				
Issued on 6 May 2013				
Class A IMTNs	-	104,000,000	AAA	4.19
Class B IMTNs	-	21,000,000	AA2	4.53
Class C IMTNs	-	188,268,000	Unrated	5.00 - 5.20
Total (i)	-	313,268,000		
Issue I - Tranche 2				
Issued on 5 August 2013				
Class A IMTNs	-	168,000,000	AAA	4.35
Class B IMTNs	-	34,000,000	AA2	4.70
Class C IMTNs	-	59,732,000	Unrated	5.00 - 5.20
Total (ii)	-	261,732,000		
	-	575,000,000		

17. ISLAMIC FINANCING (CONTINUED)

(i) On 6 May 2013, the Group issued IMTNs of RM374,000,000 in nominal value under a Sukuk Ijarah Programme ("Issue I - Tranche 1"). The facility is repayable in 9 equal semi-annual instalments of RM8,979,450 (cost of financing only) each commencing in November 2013 with a final instalment of RM382,979,450 (principal and last semi-annual cost of financing). On 20 July 2017, the Group made a partial early one-off redemption of RM60,732,000 in nominal value of unrated Class C IMTNs. The facility was then fully redeemed on 4 May 2018.

(ii) On 5 August 2013, the Group issued IMTNs of RM281,000,000 in nominal value under the Sukuk Ijarah Programme ("Issue I - Tranche 2"). The facility is repayable in 8 equal semi-annual instalments of RM6,459,000 (cost of financing only) each commencing in February 2014 with a final instalment of RM284,238,348 (principal and last semi-annual cost of financing). On 20 July 2017, the Group made a partial early one-off redemption of RM19,268,000 in nominal value of unrated Class C IMTNs. The facility was then fully redeemed on 4 May 2018.

(iii) On 4 May 2018, the Group redeemed the outstanding IMTNs of RM575,000,000 in nominal value of Issue I together with its outstanding profit due on maturity and refinanced the IMTNs via an issuance of IMTNs of RM575,000,000 in nominal value under the same Sukuk Ijarah Programme ("Issue II - Tranche 1"). The facility is repayable in 6 semi-annual instalments of RM15,174,308 (cost of financing only) each commencing in November 2018 with a final instalment of RM590,174,308 (principal and last semi-annual cost of financing).

(iv) On 20 December 2018, the Group re-rated unrated Class C IMTNs of RM112,000,000 in nominal value of Issue II, redeemed and re-issued rated Class A IMTNs of RM75,000,000 in nominal value and rated Class B IMTNs of RM37,000,000 in nominal value (collectively "Issue II - Tranche 2"). The facility is repayable in 5 semi-annual instalments of RM2,654,303 (cost of financing only) each commencing in May 2019 with a final instalment of RM114,654,303 (principal and last semi-annual cost of financing).

The Sukuk Ijarah Programme has the following significant covenants:

- The Group has to maintain and build up the Finance Service Reserve Account ("FSRA") an amount equivalent to 6 months periodic payments payable under the relevant tranche of Sukuk Ijarah (12 months period payments upon the occurrence of a Trigger Event defined under the Sukuk Ijarah Trust Deed dated 29 April 2013). The Funds in the FSRA may be invested in permitted investments but are not available for general use.

- The Group shall at all times, maintain the following Finance Service Cover Ratio ("FSCR"):
  a) FSCR at Issue level of not less than 1.5 times; and
  b) FSCR at Al-`Aqar Healthcare REIT level of not less than 1.5 times; and
  c) such other financial covenant(s) as may be determined by RAM Rating Services Berhad ("RAM") and to be mutually agreed to by Al-`Aqar Capital Sdn Bhd.

Murabahah Tawarruq Term Financing-i

On 30 November 2018 the Fund obtained an Islamic financing facility ("Murabahah Tawarruq") amounting to RM29,900,000 from Ambank Islamic Berhad ("Ambank") to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38,900,000 as disclosed in Note 15. The transaction costs incurred for the Murabahah Tawarruq was RM225,761.

The Murabahah Tawarruq is payable over a period of 24 months from the date of first disbursement with bullet repayment of the principal sum on the 24th month. The Murabahah Tawarruq bears an effective profit rate of 1.50% per annum above the bank's Cost of Funds ("COF"). The average effective profit rate for the Murabahah Tawarruq during the year is 5.54%. There is no specific financial covenant associated with the Murabahah Tawarruq.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17. ISLAMIC FINANCING (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Group's and the Fund's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Fund's statements of cash flows as cash flows from financing activities.

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Islamic Financing				
Islamic Financing	573,580,634	653,802,142	-	-
Accrued financing costs on Sukuk Ijarah Programme (Note 15)	7,017,006	9,076,908	-	-
Total Islamic Financing at beginning of year	580,597,640	662,879,050	-	-
Total financing cash inflows	29,900,000	-	29,900,000	-
Total financing cash outflows	(34,503,989)	(110,238,338)	(375,480)	-
	575,993,651	552,640,712	29,524,520	-
Non-cash changes				
Finance costs on Islamic Financing	30,129,128	27,033,850	145,182	-
Imputed finance cost	1,449,654	923,078	9,407	-
Increase in prepaid profit for Murabahah Tawarruq (Note 13)	4,537	-	4,537	-
At end of year	607,576,970	580,597,640	29,683,646	-
Islamic Financing	603,705,130	573,580,634	29,683,646	-
Accrued financing costs on Sukuk Ijarah Programme (Note 15)	3,871,840	7,017,006	-	-
Total Islamic Financing at end of year	607,576,970	580,597,640	29,683,646	-

	The Fund	
	2018 RM	2017 RM
Amount due to a subsidiary		
At beginning of year	555,538,535	637,635,132
Financing cash flows	(30,960,678)	(110,053,525)
	524,577,857	527,581,607
Non-cash changes		
Finance costs on amount due to a subsidiary	31,424,193	27,956,928
At end of year	556,002,050	555,538,535

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18. UNITHOLDERS' CAPITAL

	2018		2017	
	No. of units	RM	No. of units	RM
The Group and the Fund				
At beginning of year	728,226,468	722,398,126	728,226,468	722,398,126
Issue of new units	7,758,620	9,000,000	-	-
At end of year	735,985,088	731,398,126	728,226,468	722,398,126

During the financial year, the Group and the Fund issued 7,758,620 new units at an issue price of RM1.16 per unit amounting to RM9,000,000. The proceeds from the issuance of new units was used to part finance the outstanding balance in relation to an investment property purchased in prior years amounting to RM38,900,000 as disclosed in Note 15.

Details of units held by the Manager's Directors and unitholders, and related parties which comprise companies related to Johor Corporation and KPJ Healthcare Berhad, substantial unitholders of the Fund, and their market value as of 31 December 2018 based on the Record of Depositors are as follows:

	2018		2017	
	No. of units	RM	No. of units	RM
Related parties:				
Pusat Pakar Tawakal Sdn Bhd	54,648,534	71,589,579	54,648,534	78,147,404
Bandar Baru Klang Specialist Hospital Sdn Bhd	36,115,266	47,310,998	36,115,266	51,644,830
Selangor Medical Centre Sdn Bhd	35,000,000	45,850,000	35,000,000	50,050,000
Jeta Gardens (Qld) Pty Ltd	10,834,468	14,193,153	13,284,468	18,996,789
Seremban Specialist Hospital Sdn Bhd	23,731,000	31,087,610	23,731,000	33,935,330
Ampang Puteri Specialist Hospital Sdn Bhd	21,013,739	27,527,998	21,013,739	30,049,647
Medical Associates Sdn Bhd	19,055,000	24,962,050	19,055,000	27,248,650
Sentosa Medical Centre Sdn Bhd	15,653,000	20,505,430	15,653,000	22,383,790
Kedah Medical Centre Sdn Bhd	15,000,000	19,650,000	15,000,000	21,450,000
Johor Specialist Hospital Sdn Bhd	12,203,000	15,985,930	12,203,000	17,450,290
Puteri Specialist Hospital Sdn Bhd	12,000,000	15,720,000	12,000,000	17,160,000
Pusat Pakar Darul Naim Sdn Bhd	11,789,000	15,443,590	11,789,000	16,858,270
KPJ Healthcare University College Sdn Bhd	7,758,620	10,163,792	-	-
Kuantan Specialist Hospital Sdn Bhd	5,000,000	6,550,000	5,000,000	7,150,000
Kajang Specialist Hospital Sdn Bhd	4,487,000	5,877,970	4,487,000	6,416,410
Kota Kinabalu Specialist Hospital Sdn Bhd	3,500,000	4,585,000	3,500,000	5,005,000
Taiping Medical Centre Sdn Bhd	3,334,000	4,367,540	3,334,000	4,767,620
Johor Ventures Sdn Bhd	173,219	226,917	173,219	247,703

19. MANAGEMENT EXPENSE RATIO ("MER")

	2018	2017
	%	%
MER	0.34	0.32

The calculation of MER is based on the total fees of the Fund incurred for the year, including the Manager's fees, Trustee's fees, audit fee, tax agent's fee and administration expenses, to the average net asset value of the Fund during the year calculated on a monthly basis. Since the average net asset value is calculated on a monthly basis, comparison of the MER of the Fund with other Real Estate Investment Trusts ("REITs") which use a different basis of calculation may not be an accurate comparison.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Fund if the Group and the Fund 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 Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Fund derive all their rental income as disclosed in Note 5 from related parties.

Significant related party (credits)/charges other than those disclosed in Note 5 are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Manager's fee	1,674,718	2,196,079	1,674,718	2,196,079
Maintenance fee	162,600	-	162,600	-
Registrar fee	65,382	91,686	65,382	91,686
Secretarial fee	7,100	7,070	-	-
Other income	(487,667)	-	(487,667)	-
Purchase of investment property	-	13,000,000	-	13,000,000
Professional fee	-	400,000	-	400,000

Other income relates to the compensation received from Selangor Medical Centre Sdn Bhd for loss of opportunity and annual loss of potential income due to the deferment for the transfer of a Physician Consultant Building to the Fund.

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

Amounts due from a subsidiary represents unsecured advances given to a subsidiary from the proceeds raised from Islamic financing and issuance of new units in previous years for the purpose of purchase of an investment property in Australia and profit sharing on the advances receivable from the subsidiary.

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary and expenses. The finance costs and repayment terms of the unsecured advances mirror the finance costs and repayment terms of the Islamic financing of Sukuk Ijarah raised by the said subsidiary as disclosed in Note 17. Also included in the amount due to a subsidiary are cash reserves retained by the subsidiary, the accrued profit from the cash reserves and expenses paid on behalf for the subsidiary totaling RM18,019,434, that are presented as net amount as there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

21. COMMITMENTS

Operating leases - as lessor

The Group and the Fund lease out their investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Less than one year	108,123,854	102,075,690	96,687,350	90,639,179
Between one and five years	306,507,852	415,235,842	296,977,432	369,489,800
	414,631,706	517,311,532	393,664,782	460,128,979

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

Prior to the adoption of MFRS 9 on 1 January 2018, the Group and the Fund measured various categories of financial instruments under MFRS 139 Financial Instruments: Recognition and Measurement.

The adoption of MFRS 9 which is effective on 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as disclosed in Note 28.

The table below provides an analysis of the various categories of financial instruments:

(a) Financial assets/(liabilities) at amortised cost;
(b) Loans and receivables ("L&R"); and
(c) Other financial liabilities measured at amortised cost ("FL")

	Carrying amount 2018 RM	Financial assets at amortised cost 2018 RM	Carrying amount 2017 RM	L&R 2017 RM
The Group				
Financial assets				
Trade receivables	2,246,142	2,246,142	5,312,154	5,312,154
Other receivables	131,893	131,893	541,217	541,217
Fixed deposits with licensed banks	45,668,396	45,668,396	51,032,271	51,032,271
Cash and bank balances	45,680,598	45,680,598	35,917,278	35,917,278
	93,727,029	93,727,029	92,802,920	92,802,920

	Carrying amount 2018 RM	Financial liabilities at amortised cost 2018 RM	Carrying amount 2017 RM	FL 2017 RM
The Group				
Financial liabilities				
Other payables and accrued expenses	27,002,050	27,002,050	55,786,148	55,786,148
Islamic financing	603,705,130	603,705,130	573,580,634	573,580,634
	630,707,180	630,707,180	629,366,782	629,366,782

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount 2018 RM	Financial assets at amortised cost 2018 RM	Carrying amount 2017 RM	L&R 2017 RM
The Fund				
Financial assets				
Trade receivables	1,216,283	1,216,283	217,714	217,714
Other receivables	78,085	78,085	493,874	493,874
Amount due from a subsidiary	110,928,213	110,928,213	102,922,656	102,922,656
Fixed deposits with licensed banks	27,049,217	27,049,217	33,079,977	33,079,977
Cash and bank balances	22,639,466	22,639,466	21,806,132	21,806,132
	161,911,264	161,911,264	158,520,353	158,520,353

	Carrying amount 2018 RM	Financial liabilities at amortised cost 2018 RM	Carrying amount 2017 RM	FL 2017 RM
The Fund				
Financial liabilities				
Other payables and accrued expenses	22,792,859	22,792,859	48,451,670	48,451,670
Amount due to a subsidiary	556,002,050	556,002,050	555,538,535	555,538,535
Islamic financing	29,683,646	29,683,646	-	-
	608,478,555	608,478,555	603,990,205	603,990,205

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Fund.

The Manager considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values and categorised under level 3 of fair value hierarchy.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Fund are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, financing rate risk and foreign currency risk.

The Group and the Fund have taken measures to minimise their exposure to risks associated with their financing, investing and operating activities and operate within clearly defined guidelines as set out in the SC Guidelines.

The following sections provide details regarding the Group's and the Fund's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks:

(a) **Credit Risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its contractual obligations. Credit risk arises from cash and cash equivalents, amount due from a subsidiary as well as credit exposures primarily from outstanding trade and other receivables.

The Group and the Fund adopt the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including tenancy deposits, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. For other financial assets (including cash and bank balances and fixed deposits with licensed banks), the Group and the Fund minimise credit risks by dealing exclusively with high credit rating counterparties.

The Group and the Fund seek to invest cash assets safely and profitably. The Group and the Fund have no significant concentration of credit risk and it is not the Group's and the Fund's policy to hedge their credit risks. The Group and the Fund have in place, for significant operating subsidiaries, policies to ensure that sales of products and services are made to customers with an appropriate credit history and sets limits on the amount of credit exposure to any one customer. For significant subsidiaries, there were no instances of credit limits being materially exceeded during the reporting periods and management does not expect any material losses from non-performance by counterparties.

Exposure to credit risk

At the reporting date, the Group's and the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 15.

Credit risk concentration profile

Other than the amounts due from the subsidiaries to the Fund, the Group and the Fund are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Impairment of financial assets

The Group's and the Fund's financial assets that are subject to the expected credit loss ("ECL") model include trade receivables, other receivables and amount due from a subsidiary. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit Risk (continued)**

Trade receivables using the simplified approach

The Group and the Fund apply the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and the Fund have identified the Gross Domestic Product ("GDP") of Malaysia and Australia to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Other receivables and amount due from a subsidiary using general 3-stage approach

The Group and the Fund use three categories for other receivables and amount due from a subsidiary which reflect their credit risk and how the loss allowance is determined for each of those categories. Other receivables and amount due from a subsidiary are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Fund, and a failure to make contractual payments for a period of greater than 30 days past due.

Category	Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flow	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, the loss allowance is measured on either 12-month ECL or lifetime ECL incorporating the methodology below:

- Probability of default ("PD") - the likelihood that the debtor would not be able to repay during the contractual period;
- Loss given default ("LGD") - the percentage of contractual cash flows that will not be collected if default happens; and
- Exposure at default ("EAD") - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Fund consider historical data by each debtor by category and adjust for forward-looking macroeconomic data. The Group and the Fund have identified the industry and geographical area which the debtor operates in, to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period. Impairment losses on trade and other receivables are presented as net impairment losses within profit before tax. Subsequent recoveries of amounts previously written off are credited against the same line item.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Fund will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Fund's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Fund's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group and the Fund manage their operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of their overall liquidity management, the Group and the Fund maintain sufficient levels of cash and bank balances to meet their working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Fund's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

2018	Weighted average effective profit rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
The Group					
Non-profit bearing:					
Other payables and accrued expenses		20,104,308	-	6,907,481	27,011,789
Profit bearing:					
Sukuk Ijarah	5.11	25,520,907	618,488,898	-	644,009,805
Murabahah Tawarruq	COF + 1.50%	1,655,982	31,419,874	-	33,075,856
Total undiscounted financial liabilities		47,281,197	649,908,772	6,907,481	704,097,450
The Fund					
Non-profit bearing:					
Other payables and accrued expenses		15,885,378	-	6,907,481	22,792,859
Profit bearing:					
Amount due to a subsidiary	5.11	28,414,867	615,594,938	-	644,009,805
Murabahah Tawarruq	COF + 1.50%	1,655,982	31,419,874	-	33,075,856
Total undiscounted financial liabilities		45,956,227	647,014,812	6,907,481	699,878,520
2017					
The Group					
Non-profit bearing:					
Other payables and accrued expenses		48,878,667	-	6,907,481	55,786,148
Profit bearing:					
Islamic financing	4.71	586,481,257	-	-	586,481,257
Total undiscounted financial liabilities		635,359,924	-	6,907,481	642,267,405
The Fund					
Non-profit bearing:					
Other payables and accrued expenses		41,544,189	-	6,907,481	48,451,670
Profit bearing:					
Amount due to a subsidiary	4.71	568,439,158	-	-	568,439,158
Total undiscounted financial liabilities		609,983,347	-	6,907,481	616,890,828

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Financing Rate Risk

Financing rate risk is the risk that the fair value or future cash flows of the Group's and of the Fund's financial instruments will fluctuate because of changes in the market financing rates.

The Group and the Fund manage their financing rate exposure by maintaining a prudent mix of fixed and floating rate of borrowings. The Group and the Fund place cash deposits on short-term basis and therefore this allows the Group and the Fund to respond to significant changes of financing rate promptly.

Sensitivity analysis for interest rate risk

At the end of the reporting period, a change of 10 basis points ("bp") in financing rates would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	The Group		The Fund	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Financing rate:				
- 25 bp increase	(74,209)	-	(74,209)	-
- 25 bp decrease	74,209	-	74,209	-

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. It is not the Group's policy to hedge foreign currency translation risk. The Group also maintains bank accounts denominated in foreign currencies, primarily in AUD, as a natural hedge against foreign currency risk.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	The Group	
	2018	**2017**
	RM	**RM**
Denominated in AUD		
Trade receivables	1,029,859	5,094,440
Cash and cash equivalents	20,796,786	7,857,721
Other payables and accrued expenses	(308,241)	(283,454)
Net exposure in the statements of financial position	21,518,404	12,668,707

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) **Foreign Currency Risk (continued)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the AUD exchange rates against the functional currency of the Group, with all other variables held constant.

	Other comprehensive income The Group	
	2018	**2017**
	RM	**RM**
AUD		
Strengthened 5%	753,144	443,405
Weakened 5%	(753,144)	(443,405)

24. SEGMENT REPORTING

The Group has a single operating segment. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has two reportable segments as follows:

(i) Malaysia
(ii) Australia

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

The Group's segmental information is as follows:

31 December 2018	**Malaysia RM**	**Australia RM**	**Total RM**
Rental	91,097,366	11,551,609	102,648,975
Property expenses	(5,934,798)	(104,716)	(6,039,514)
Net property income	85,162,568	11,446,893	96,609,461
Investment income	2,031,968	-	2,031,968
Other income	510,841	-	510,841
Gain on fair value	30,341,920	-	30,341,920
Total income	118,047,297	11,446,893	129,494,190
Expenditure	(5,424,523)	(199,223)	(5,623,746)
Operating profit	112,622,774	11,247,670	123,870,444
Financing costs	(31,578,782)	-	(31,578,782)
Profit before tax	81,043,992	11,247,670	92,291,662

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. SEGMENT REPORTING (CONTINUED)

31 December 2018	Malaysia RM	Australia RM	Total RM
Profit Before Tax	81,043,992	11,247,670	92,291,662
Tax	347	(917,555)	(917,208)
Profit after tax	81,044,339	10,330,115	91,374,454
Total assets	1,426,214,969	154,253,445	1,580,468,414
Total liabilities	630,408,678	2,261,770	632,670,448

31 December 2017	Malaysia RM	Australia RM	Total RM
Rental	88,549,848	11,098,321	99,648,169
Property expenses	(5,962,043)	(479,248)	(6,441,291)
Net property income	82,587,805	10,619,073	93,206,878
Investment income	2,272,257	-	2,272,257
Other income	1,557	-	1,557
Gain on fair value	24,534,840	257,083	24,791,923
Total income	109,396,459	10,876,156	120,272,615
Expenditure	(5,899,283)	(262,318)	(6,161,601)
Operating profit	103,497,176	10,613,838	114,111,014
Financing costs	(27,956,928)	-	(27,956,928)
Profit before tax	75,540,248	10,613,838	86,154,086
Tax	(599,678)	(909,874)	(1,509,552)
Profit after tax	74,940,570	9,703,964	84,644,534
Total assets	1,403,869,591	152,555,361	1,556,424,952
Total liabilities	629,083,328	4,051,802	633,135,130

25. CAPITAL MANAGEMENT

The Group and the Fund manage their capital to ensure that entities in the Group and the Fund will be able to continue as going concerns while maximising the return to unitholders through the optimisation of the debt and equity balance. The Group's and the Fund's overall strategy remain unchanged from 2017.

The capital structure of the Group and of the Fund consists of net debt (borrowings as detailed in Note 17) offset by cash and cash equivalents and unitholders' fund of the Group and of the Fund (comprising unitholders' capital and undistributed income).

The Group and the Fund are required to comply with the financial covenants as disclosed in Note 17 and the SC Guidelines on capital requirements.

As at 31 December 2017, the Group and the Fund had complied with all financial covenants as disclosed in Note 17.

The SC Guidelines require that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50% of the total asset value of the Fund at the time the borrowings are incurred. Notwithstanding, the Fund's total borrowings may exceed this limit with the sanction of the unit holders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

Gearing ratios

The Group's and the Fund's gearing ratio are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratio at the end of the reporting period is as follow:

	The Group		The Fund	
	2018 RM	2017 RM	2018 RM	2017 RM
Total borrowings	603,705,130	573,580,634	585,685,696	555,538,535
Total assets value	1,580,468,414	1,556,424,952	1,551,718,035	1,525,031,371
Total borrowings to total assets value ratio	38.20%	36.85%	37.74%	36.43%

26. PORTFOLIO TURNOVER RATIO ("PTR")

	The Fund	
	2018	2017
PTR (times)	-	0.06

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in the Fund for the year to the average net asset value during the year calculated on a monthly basis.

27. SIGNIFICANT EVENT

On 4 May 2018, the Group successfully refinanced its Issue 1 IMTNs that had reached maturity. The refinancing of the Issue 1 IMTNs was effected via the second issuance of IMTNS of RM575,000,000 in nominal value ("Issue 2") under the same Sukuk Ijarah Programme as disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28. ADOPTION OF MFRS 9 AND MFRS 15

Adoption of MFRS 15

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

There were no material financial impacts to the statements of financial position and the statements of comprehensive income of the Group and of the Fund arising from the adoption of MFRS 15.

Adoption of MFRS 9

The accounting policies were changed to reflect the application of MFRS 9 from the beginning of the first MFRS reporting period. MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. The cumulative effects of the changes are recognised in the statements of financial position as at the beginning of the first MFRS reporting period, which is on 1 January 2018.

The nature of adjustments made to the statements of financial position of the Group and of the Fund as at 1 January 2018 in respect of items within the scope of MFRS 9 are described as follows:

(a) Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS") financial assets. Note 3.6 sets out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 January 2018, the Group and the Fund adopted the following MFRS 9 classification approach to all types of financial assets:

- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ("FVTOCI") or through profit or loss ("FVTPL").
- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Group and the Fund have made an irrevocable choice to present changes in fair value in other comprehensive income for investments that are not held for trading.
- Embedded derivatives in financial asset host contracts: The Group and the Fund apply the classification and measurement of financial assets to the entire hybrid instrument for financial assets with embedded derivatives.
- The new accounting policies for classification and measurement of financial instruments under MFRS 9 are set out in Note 3.6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28. ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

Adoption of MFRS 9 (continued)

(a) Classification and measurement of financial assets (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 139 and MFRS 9 at the date of initial application, 1 January 2018.

	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Original RM	New RM	Difference RM
The Group					
Financial assets					
Trade receivables	Loans and receivables	Financial assets at amortised cost	5,312,154	5,312,154	-
Other receivables	Loans and receivables	Financial assets at amortised cost	541,217	541,217	-
Fixed deposits with licensed banks	Loans and receivables	Financial assets at amortised cost	51,032,271	51,032,271	-
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	35,917,278	35,917,278	-
Financial liabilities					
Other payables and accrued expenses	Other financial liabilities	Financial liabilities at amortised cost	55,786,148	55,786,148	-
Islamic financing	Other financial liabilities	Financial liabilities at amortised cost	573,580,634	573,580,634	-
The Fund					
Financial assets					
Trade receivables	Loans and receivables	Financial assets at amortised cost	217,714	217,714	-
Other receivables	Loans and receivables	Financial assets at amortised cost	493,874	493,874	-
Amount due from a subsidiary	Loans and receivables	Financial assets at amortised cost	102,922,656	102,922,656	-
Fixed deposits with licensed banks	Loans and receivables	Financial assets at amortised cost	33,079,977	33,079,977	-
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	21,806,132	21,806,132	-
Financial liabilities					
Other payables and accrued expenses	Other financial liabilities	Financial liabilities at amortised cost	48,451,670	48,451,670	-
Amount due to a subsidiary	Other financial liabilities	Financial liabilities at amortised cost	555,538,535	555,538,535	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28. ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

Adoption of MFRS 9 (continued)

(b) Impairment of financial assets

Until 31 December 2017, the Group and the Fund assessed the impairment of loans and receivables based on the incurred impairment loss model. Note 3.6 sets out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Fund apply the expected credit loss ("ECL") model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVTOCI.

The new accounting policies for impairment under MFRS 9 are set out in Note 3.6.

(i) Trade receivables

For all trade receivables that do not contain significant financing components, the Group and the Fund apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. No additional loss allowance is recognised on these trade receivables upon application of MFRS 9 after the Manager had considered the days past due, historical default experience and the future prospects of the industries in which the trade receivables operate, together with the value of collateral held over these trade receivables as disclosed in Note 15.

(ii) Other receivables

Other receivables are classified as amortised cost in the Group's and the Fund's financial statements because the Group's and the Fund's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Group and the Fund applied the general 3-stage approach when determining ECL for the other receivables.

The Manager concludes that no additional loss allowance is recognised on these other receivables upon application of MFRS 9 after considering the days past due, historical default experience and the future prospects of the industries in which the receivable operates.

(iii) Amount due from subsidiaries

Amount due from a subsidiary that is repayable on demand and non-profit bearing is classified as amortised cost in the Fund's financial statements because the Fund's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Fund applied the general 3-stage approach when determining ECL for the amount due from a subsidiary.

No additional loss allowance is recognised on the amount due from a subsidiary upon application of MFRS 9 as all strategies indicate that the Fund could fully recover the outstanding balance of the amount due from a subsidiary.

STATEMENT BY THE DIRECTORS OF THE MANAGER TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT

We, **DATO' KAMARUZZAMAN BIN ABU KASSIM** and **WAN AZMAN BIN ISMAIL**, being two of the Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), do hereby state that, in the opinion of the Manager, the financial statements of **AL-`AQAR HEALTHCARE REIT** (the "Fund") and of its subsidiaries (the "Group") are drawn up in accordance with applicable provisions of the Restated Trust Deed dated 31 July 2013, Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2018 and of the results and the cash flows for the year then ended.

Signed on behalf of the Board of the Manager as approved by the Board of the Manager,
in accordance with a resolution of the Directors of the Manager dated

DATO' KAMARUZZAMAN BIN ABU KASSIM

WAN AZMAN BIN ISMAIL

Kuala Lumpur,
31 January 2019

DECLARATION BY THE DIRECTOR OF THE MANAGER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE FUND

I, **WAN AZMAN BIN ISMAIL**, the Executive Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") and primarily responsible for the financial management of **AL-`AQAR HEALTHCARE REIT** (the "Group" and the "Fund"), do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

WAN AZMAN BIN ISMAIL

Subscribed and solemnly declared by the abovenamed **WAN AZMAN BIN ISMAIL** at **KUALA LUMPUR** on 31 January 2019.

Before me,

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
1 JAN 2019 - 31 DIS 2021
MALAYSIA

COMMISSIONER FOR OATHS

Kuala Lumpur,

Lot 1.08, Tingkat 1
Bangunan KWSP , Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

SHARIAH COMMITTEE REPORT
TO THE UNITHOLDERS OF AL-`AQAR HEALTHCARE REIT

We have acted as the Shariah Adviser of **AL-`AQAR HEALTHCARE REIT** (the "Group" and the "Fund"). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager") and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2018.

In addition, we also confirm that the investment portfolio of the Group and of the Fund are Shariah-compliant, which comprises:

(a) Rental income from investment properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and

(b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For the Member of Shariah Committee

DATO' (DR.) HAJI NOOH BIN GADOT
CHAIRMAN, SHARIAH COMMITTEE

31 January 2019

TRUSTEE'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Unit Holders of **AL-'AQAR HEALTHCARE REIT**

We, **AMANAHRAYA TRUSTEES BERHAD**, have acted as Trustee of **AL-`AQAR HEALTHCARE REIT** for the financial year ended 31 December 2018. In our opinion, **DAMANSARA REIT MANAGERS SDN BERHAD**, the Manager, has managed **AL-`AQAR HEALTHCARE REIT** in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended then ended.

We are of the opinion that:

(a) The procedure and process employed by the Manager to value and/or price the units of **AL-`AQAR HEALTHCARE REIT** are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirement;
(b) creation of units are carried out in accordance with the Deed and other regulatory requirement; and
(c) the distribution of returns made by **AL-`AQAR HEALTHCARE REIT** as declared by the Manager is in accordance with the investment objective **of AL-`AQAR HEALTHCARE REIT**

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

ZAINUDDIN BIN SUHAIMI
GENERAL MANAGER

Kuala Lumpur, Malaysia
4 February 2019

Managed By:

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

www.alaqar.com.my