First Fruits

FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

Annual Report 2007

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Corporate Profile

First REIT is Singapore's first healthcare real estate investment trust that aims to invest in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare-related purposes.

Managed by Bowsprit Capital Corporation Limited, First REIT's portfolio consists of eight properties located in Singapore and Indonesia, namely, 1) Adam Road Hospital, 2) The Lentor Residence, 3) Pacific Healthcare Nursing Home @ Bukit Merah, 4) Pacific Healthcare Nursing Home @ Senja, 5) Siloam Hospitals Lippo Karawaci, 6) Siloam Hospitals West Jakarta, 7) Siloam Hospitals Surabaya, and 8) Imperial Aryaduta Hotel & Country Club.

First REIT's Indonesian assets are operated by PT. Siloam International Hospitals, a wholly-owned subsidiary of PT. Lippo Karawaci Tbk and a strong brand name in the Indonesian healthcare industry. In Singapore, the Adam Road Hospital, as well as the nursing homes at Bukit Merah and Senja are operated by associates of Pacific Healthcare Holdings Limited while The Lentor Residence is operated by First Lentor Residence Pte Ltd.

Through First REIT, investors can participate in an asset class that has a focus towards Asia's growing healthcare sector, which is boosted by an increase in life expectancy in Indonesia and the rest of Southeast Asia.

Corporate Information

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Unit Registrar and Unit Transfer Office
Boardroom Corporate & Advisory Services Pte Ltd
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#09-01 Marsh & McLennan Centre
Singapore 048423

RSM Aryanto Amir Jusuf & Mawar (RSM AAJ Associates)
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Independent Singapore Tax Adviser
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Independent Indonesian Tax Adviser PB & Co
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Indonesia

Independent Valuer
Knight Frank / PT. Willson Properti Advisindo
Wisma Nugra Santana #17-03
Jl. Jend. Sudirman Kav 7-8
Jakarta 10220
Indonesia

Colliers International Consultancy & Valuation (Singapore)
Pte Ltd
50 Raffles Place #18-01
Singapore Land Tower
Singapore 048623

Directors of the Manager
Mr Albert Saychuan Cheok
Chairman & Independent Director

Dr Ronnie Tan
Chief Executive Officer & Director

Mr Mag Rainer Silhavy
Non-Executive Director

Mr Markus Parmadi
Non-Executive Director

Datuk Robert Chua Teck Chew
Independent Director

Mr Goh Tiam Lock
Independent Director

Mr Klaus Krombass
Alternate Director to Mr Mag Rainer Silhavy

Company Secretary of the Manager
Ms Lim Ka Bee

Joint Message from the Chairman and CEO

Mr Albert Saychuan Cheok
Chairman

Dr Ronnie Tan
CEO

We are happy to note that in our first year of managing First REIT, we have successfully built a sizeable and diversified portfolio of good yielding income-producing healthcare real estate assets in Asia.

Dear Unitholders,

We are pleased to present the first annual report of First REIT. During the inaugural year 2007, the focus and priority of our operations have been on building up a sizeable portfolio of worthy healthcare properties that would provide us with a strong base for future growth.

Business Highlights

As you would recall, in our December 2006 listing, we started off with four Indonesian properties - Siloam Hospitals Lippo Karawaci, Siloam Hospitals West Jakarta, Siloam Hospitals Surabaya and the Imperial Aryaduta Hotel and Country Club.

Joint Message from the Chairman and CEO (cont'd)

In the months that followed, we went on a measured-pace acquisition trail to expand First REIT's portfolio. By end 2007, we have acquired a total of four healthcare properties in Singapore - Pacific Healthcare Nursing Home at Bukit Merah, Pacific Healthcare Nursing Home at Senja, The Lentor Residence and Adam Road Hospital. As a result, the value of our portfolio of assets increased 27% from S$257 million to S$326 million.

Recognising the importance of regional spread and mix, we saw the need to look beyond Singapore and Indonesia. China and its burgeoning economy was a logical choice. As China undergoes rapid economic development and growth, it is expected that its people will increasingly look to higher quality medical care. With that, we evaluated a number of investment opportunities and ended up signing a Conditional Agreement and three Memoranda of Understanding to invest in hospitals located in Shanghai, Wuxi and Nantong. Our entry into China will make us well-positioned to benefit from China's economic growth.

Apart from expanding First REIT's geographical footprint, an important aspect of our operational strategy is to improve on the income generating capacity of our healthcare properties through asset enhancement initiatives and encouraging our tenants to continually undertake an upgrading of the delivery of healthcare services. We are presently evaluating the redevelopment taking place at the Adam Road Hospital.

To enable us to be financially equipped to pursue our future acquisitions and asset enhancement plans, we have established a S$90 million term loan facility with the Oversea-Chinese Banking Corporation in April 2007. To date, S$51 million of this facility have been utilised for the four Singapore acquisitions. First REIT's group debt-to-property ratio remains modest at 15.5%.

We are also pleased to announce that our flagship Indonesian property, Siloam Hospitals Lippo Karawaci, became the first hospital in Indonesia to receive the prestigious Joint Commission International ("JCI") accreditation in November 2007. This accreditation is truly welcomed as JCI is the world's leading international healthcare accreditation body. A hospital would have to pass rigorous assessment to obtain this world-class quality accreditation. To date, very few hospitals in Asia have obtained JCI accreditation. We believe this award will further boost the confidence that Indonesians and expatriates have in the quality of medical services at Siloam Hospitals Lippo Karawaci.

Financial Highlights

The growth First REIT has achieved since we began operations on our listing date is indeed welcoming.

From 11 December 2006 to the end of financial period 2007 ("FY2007"), First REIT's distributable income of S$19.3 million outperformed forecast by 5.3% which translated to a distribution of 7.09 Singapore cents per unit ("DPU").

Bolstered by revenue from the newly acquired Singapore assets, namely the Bukit Merah and Senja nursing homes, the Lentor nursing home and the Adam Road Hospital, gross revenue and net property income reached S$28.3 million and S$28.1 million respectively, exceeding forecast by 10.5% and 10.4%.

Over the past year, First REIT has been paying out distributable income every quarter. Our aggregate DPU of 7.09 Singapore cents for the period translates to a distribution yield of 9.1%, which remains one of the highest among the Singapore REITs, making First REIT one of the best REIT investments in Singapore.

Growth Strategy

Looking ahead, we are committed to building a portfolio of assets that will provide consistent and sustainable returns to the unitholders of First REIT. The present low group debt-to-property ratio of 15.5% would suggest that there is comfortable headroom to support further growth.

We are happy to note that in our first year of managing First REIT, we have successfully built a sizeable and diversified portfolio of good yielding income-producing healthcare real estate assets in Asia.

Going forward, we will continue to search for suitable properties in the region, targeting quality and good yielding healthcare assets.

The outlook for the regional economies remains positive despite oil price volatility and the US sub-prime problems. The broad expectation is that Asia will be cushioned to some extent because its economic fundamentals are still strong.

In Indonesia and Singapore, where First REIT presently has its assets, projected economic growth for 2008 remains strong. Indeed, the Indonesian government predicts that the economic growth for 2008 will be 6.8%. Meanwhile, in Singapore, the Ministry of Trade and Industry has forecasted 2008 economic growth to be between 4.5% to 6.5%, with the caveat that growth in 2008 will be dependent on how the US economy fares.

In summary, the broad economic forecasts would support continuing growth of the regional healthcare markets.

Acknowledgement

This has indeed been a very busy year at Bowsprit Capital Corporation Limited as manager of First REIT. We would like to take this opportunity to thank all staff and directors for their continuing drive, hard work, dedication and commitment. We would also like to thank all our Unitholders for the support and confidence shown towards us.

Albert Saychuan Cheok
Chairman

Dr Ronnie Tan
CEO

First Fruits

Since listing on the Singapore Exchange in December 2006, First REIT has embarked on an aggressive acquisition strategy, leveraging on the expected rising per capita healthcare expenditure in Asia, and targeting at healthcare and/or healthcare-related assets in key cities in the region. To maximise and deliver attractive yet sustainable returns to unitholders, our acquisition strategy focuses on acquiring quality and DPU-accretive healthcare assets in Asia so as to expand our portfolio beyond our initial assets of three hospitals and a hotel in Indonesia's two largest cities of Jakarta and Surabaya.

In 2007, we completed the acquisition of three nursing homes and a hospital in Singapore. We have signed a Conditional Agreement and three Memoranda of Understanding to invest in hospitals located in Shanghai, Wuxi and Nantong. Together, these comprise the first fruits of our acquisition strategy.

Singapore

Over the past year, First REIT completed its first acquisitions with four properties in Singapore -- three nursing homes located at 6 Lengkok Bahru, 21 Senja Road, 51 Lentor Avenue as well as a hospital located at 19 Adam Road – based on sale and leaseback arrangements, wherein the properties would be leased back to the Vendors for 10 years, with an option to renew the leases for a similar period.

The combined annual rental income of the four properties stands at S$3,978,000. In addition, there would be an annual step-up rental increase throughout the 10-year lease term. The four new properties were accretive to First REIT's distribution per unit ("DPU").

Key information on the properties

	Pacific Healthcare Nursing Home @ Bukit Merah	Pacific Healthcare Nursing Home @ Senja	The Lentor Residence	Adam Road Hospital
Vendor	Pacific Healthcare Nursing Home Pte. Ltd.	Pacific Eldercare and Nursing Pte. Ltd.	Sphere Investment Pte. Ltd.	Pacific Hospital Consultants Pte. Ltd.
Land Area	1,984 sqm	2,000 sqm	2,486 sqm	1,818 sqm
Gross Floor Area ("GFA")	3,593 sqm	3,563 sqm	2,983 sqm	1,246 sqm
Purchase Price	S$11.8 million	S$11.5 million	S$12.8 million	S$14.9 million
Appraised Value by Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 26 December 2007	S$12.6 million	S$11.5 million	S$13.1 million	S$16.7 million
Annual Rental	S$920,400	S$897,000	S$998,400	S$1,162,200
No. of Beds as at 26 December 2007	259	265	148	35
Year of Building Completion	2004	2006	1999	1981
Title	30 years leasehold from 22 April 2002	30 years leasehold from 14 May 2003	99 years leasehold from 20 August 1938	Freehold
Lease Terms	Vendor lease back for 10 years with annual rental escalations	Vendor lease back for 10 years with annual rental escalations	Vendor lease back for 10 years with annual rental escalations	Vendor lease back for 10 years with annual rental escalations

Pacific Healthcare Nursing Home @ Bukit Merah
6 Lengkok Bahru, Singapore 159051

Situated close to Bukit Merah New Town and the Redhill MRT Station, as well as 6 km away from the City Centre, the property is a four-storey custom-built nursing home with 259 beds, a basement carpark and a roof terrace.

It is valued at S$12.6 million by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd as at 26 December 2007. It has a land area of 1,984 sqm and a gross floor area ("GFA") of 3,593 sqm. Lease tenure for the land is for a period 30 years with effect from 22 April 2002.

The nursing home is managed by Pacific Healthcare Nursing Home Pte. Ltd.

Pacific Healthcare Nursing Home @ Senja
21 Senja Road, Singapore 677736

Situated close to Bukit Panjang Town Centre and the Senja LRT Station, as well as 18 km away from the City Centre, the property is a five-storey custom-built nursing home with 265 beds and 33 carpark lots.

It is valued at S$11.5 million by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd as at 26 December 2007. It has a land area of 2,000 sqm and a GFA of 3,563 sqm. Lease tenure for the land is for a period of 30 years with effect from 14 May 2003.

The nursing home is managed by Pacific Eldercare and Nursing Pte. Ltd.

Singapore

Adam Road Hospital

19 Adam Road, Singapore 289891

Situated close to the junction of Adam Road and Bukit Timah Road, as well as the future Circle Line Adam MRT Station, the property is 6 km away from the City Centre. The freehold property consists of a two-storey custom-built hospital with 35 beds, and external carpark lots on the ground level. Recognising that the plot ratio of Adam Hospital can be enhanced, we are presently evaluating the redevelopment of the property.

It is valued at S$16.7 million by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd as at 26 December 2007. It has a land area of 1,818 sqm and a GFA of 1,246 sqm.

The hospital is managed by Pacific Hospital Consultants Pte. Ltd.

The Lentor Residence

51 Lentor Avenue, Singapore 786876

The Lentor Residence is a four-storey custom-built nursing home situated at Lentor Avenue.

Included as part of the health and medical care of the Master Plan Zoning (2003 Edition), the 148-bed nursing home occupies a land area of 2,486 sqm and a GFA of 2,983 sqm.

Lease tenure for the land is for a period of 99 years with effect from 20 August 1938. The property is valued at S$13.1 million by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd as at 26 December 2007.

The nursing home is managed by First Lentor Residence Pte. Ltd.

China

China registered gross domestic product ("GDP") growth of 11.4% in 2007 – the fifth consecutive year of double digit growth. In 2007, GDP amounts to RMB 24.66 trillion (USD 3.43 trillion) according to the National Bureau of Statistics. The healthcare sector in China, which has a population of 1.3 billion, is well positioned to expand rapidly in tandem with economic growth and higher disposable income. The country has witnessed increasing medical sophistication and heightened demand for quality healthcare services.

As part of First REIT's strategy to achieve greater geographic diversification of its property portfolio, we have signed a Conditional Agreement and three Memoranda of Understanding in the major cities of Shanghai, Wuxi and Nantong. We will continue to work towards completing these acquisitions as well as explore new opportunities.

Initial Portfolio in Indonesia

The Singapore properties that we have acquired would complement our existing initial portfolio of four properties strategically situated in prime locations within Indonesia's two largest cities – Jakarta and Surabaya.

Key information on the properties

	Siloam Hospitals Lippo Karawaci	Siloam Hospitals West Jakarta (Kebon Jeruk)	Siloam Hospitals Surabaya	Imperial Aryaduta Hotel & Country Club
Vendor	PT. Lippo Karawaci Tbk	PT. Lippo Karawaci Tbk	PT. Lippo Karawaci Tbk	PT. Lippo Karawaci Tbk
Land Area	17,442 sqm	11,420 sqm	6,862 sqm	54,410 sqm
Gross Floor Area ("GFA") as at 26 December 2007	27,284 sqm	18,234 sqm	9,042 sqm	17,427 sqm
Purchase Price	S$94.3 million	S$50.6 million	S$16.8 million	S$ 21.2 million
Appraised Value by Knight Frank / PT Willson Properti Advisindo as at 26 December 2007	S$139.0 million	S$75.1 million	S$25.8 million	S$31.8 million
Annual Rent	S$11,696,630	S$6,629,146	S$2,621,499	S$3,215,080
No. of Beds / Saleable rooms as at 26 December 2007	160 (1)	178	160	197
No. of Staff as at 31 December 2007	172 full time and part time doctors and 449 nurses and medical staff	192 specialist doctors and 457 nurses and medical staff	210 full time & part time doctors and 254 nurses and medical staff	-
Year of Building Completion	1995	1991	1977	1994
Centre of Excellence	Neuro-science and cardiology	Urology, obstetrics & gynaecology, and gastroenterology	Fertility services	-

Notes:
(1) The full bed capacity of the hospital is 250.

Siloam Hospitals Lippo Karawaci

Located in the first private sector township of Lippo Karawaci, 8 km from Jakarta's Soekarno-Hatta International Airport, Siloam Hospitals Lippo Karawaci is conveniently located close to the west of the Karawaci Toll Gate on the Jakarta-Merak toll road, which connects Jakarta, the capital and business centre of Indonesia, to the industrial city of Merak.

The hospital has a sizeable potential patient base from a population of over 3.3[1] million in Tangerang Regency (Lippo Karawaci Township included).

As Centres of Excellence for neuro-science and cardiology, the hospital offers a comprehensive range of services from preventive measures to complicated open-heart surgery and neurosurgery.

In November 2007, Siloam Hospitals Lippo Karawaci became the first Indonesian hospital to attain the United States-based Joint Commission International ("JCI") accreditation - the world's leading internationally recognised hospital accreditation award - putting it in the same league as other leading hospitals in the region.

The hospital, which occupies a land area of 17,442 sqm and a GFA of 27,284 sqm, is valued at S$139.0 million by Knight Frank/PT Wilson Properti Advisindo as at 26 December 2007.

[1] Based on 2006 population census from Bureau Central Statistics Office

Indonesia

Siloam Hospitals West Jakarta

Located 6 km west of Jakarta Central, Siloam Hospitals West Jakarta serves a catchment of over 2.1 million[1] residents in the West Jakarta area.

The hospital received the Indonesian Hospital Accreditation from the Ministry of Health in 2002.

As Centres of Excellence for urology, obstetrics & gynaecology, and gastroenterology, the hospital is known for its authority in diagnosis and treatment of disorders of the urogenital system, its ability to handle the most complex and difficult cases in labour and delivery, the diagnosis and treatment of stomach and intestine disorders, as well as the use of endoscopic surgery.

The hospital, which occupies a land area of 11,420 sqm and a GFA of 18,234 sqm, is valued at S$75.1 million by Knight Frank/PT Wilson Properti Advisindo as at 26 December 2007.

Siloam Hospitals Surabaya

Located in the central area of Indonesia's second largest city – Surabaya, Siloam Hospitals Surabaya enjoys a large catchment area of potential patients, given the relatively lower number of higher quality hospitals in the region.

Exhibiting strong per capita income growth, Surabaya is expected to continue to witness increasing demand for healthcare related services.

A Centre of Excellence for fertility services, the hospital has successfully completed more than 2,500 In-Vitro Fertilization/Intra Cellular Sperm Injection procedures and produced 935 "test tube" babies, as at 31 December 2007.

The hospital, which occupies a land area of 6,862 sqm and a GFA of 9,042 sqm, is valued at S$25.8 million by Knight Frank/PT Wilson Properti Advisindo as at 26 December 2007.

Imperial Aryaduta Hotel & Country Club

Located next to Siloam Hospitals Lippo Karawaci, the 197-room five-star Imperial Aryaduta Hotel & Country Club also provides accommodation for out-of-town in-patients, out-patients and day-surgery patients as well as their families.

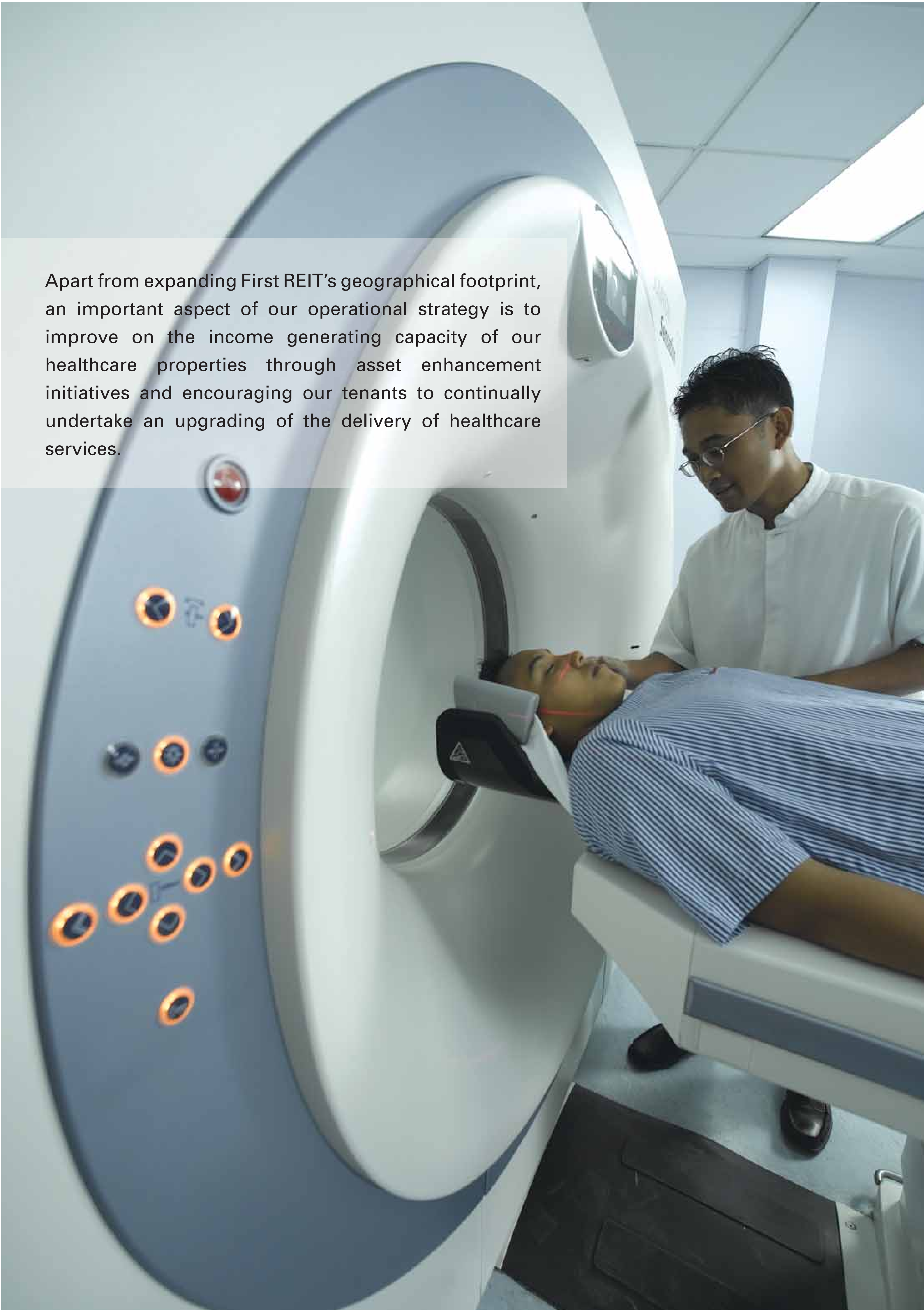
The hotel also attracts business travellers to Tangerang as it is located near the business and industrial areas of Cilegon.

As one of the very few hotels with linked country clubs in Jakarta, the hotel is complete with a wide range of sports, recreational, convention and food and beverage services.

The property, which occupies a land area of 54,410 sqm and a GFA of 17,427 sqm, is valued at S$31.8 million by Knight Frank/PT Wilson Properti Advisindo as at 26 December 2007.

[1] Based on 2006 population census from Bureau Central Statistics Office

Apart from expanding First REIT's geographical footprint, an important aspect of our operational strategy is to improve on the income generating capacity of our healthcare properties through asset enhancement initiatives and encouraging our tenants to continually undertake an upgrading of the delivery of healthcare services.



Board of Directors

1.


2.


3.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1. Mr Albert Saychuan Cheok
2. Dr Ronnie Tan
3. Mr Mag Rainer Silhavy
4. Mr Markus Parmadi
5. Datuk Robert Chua Teck Chew
6. Mr Goh Tiam Lock
7. Mr Klaus Krombass

Mr Albert Saychuan Cheok

Mr Albert Saychuan Cheok is an Independent Director of the Manager and is also the Chairman of the Board. He graduated from the University of Adelaide, Australia with First Class Honours in Economics. Mr Cheok is a Fellow of the Australian Institute of Certified Public Accountants. He is a banker with over 30 years experience in banking in the Asia-Pacific region. Between May 1979 and February 1982, Mr Cheok was an adviser to the Australian Government Inquiry into the Australian financial system which introduced comprehensive reforms to the Australian banking system. He was Chief Manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the Deputy Commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as the Executive Director in charge of Banking Supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Until recently, Mr Cheok was the Chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand. Mr Cheok is currently the Deputy Chairman of Asia Life (M) Bhd., a major insurer in Malaysia. He is also the Vice Chairman of the Export and Industry Bank of the Philippines as well as the Chairman of Auric Pacific Group Limited, a diversified food group with operations in Singapore, China and Malaysia.

Dr Ronnie Tan

Dr Ronnie Tan is a Director as well as the Chief Executive Officer of the Manager. Dr Tan qualified as a Medical Doctor from the University of Melbourne in 1977. He worked in various government and private healthcare facilities in Australia and Singapore as a Medical Practitioner until 1987. After receiving his Master of Health Administration from Loma Linda University, he joined Parkway Holdings Limited as its International Business Development Manager, and also served as Chief Executive Officer of Gleneagles Hospital. In 1995, he worked in Indonesia as Executive Director of Lippo Group and Chief Executive Officer of Siloam group of hospitals.

From 1998 to September 2004, he took various postings as Chief Executive Officer and Director of AsiaMedic Limited and Senior Executive in Parkway Holdings Limited. Dr Tan was an Independent Non-Executive Director and Chairman of the Audit Committee of Auric Pacific Group Limited from 2001 to 2002. He is an Executive Director of Auric Pacific Group Limited since 1 October 2004 and is responsible for the areas of Business Development (non-food related) as well as Property and Strategic Investments.

Mr Mag Rainer Silhavy

Mr Mag Rainer Silhavy is a Non-Executive Director of the Manager. Mr Silhavy graduated from the University of World Trade Vienna, Austria in 1978 with a B.A. degree in Social Science and Economics. In 1985, he was a Correspondent Banking Officer in charge of Europe at the RZB bank in Austria, and was subsequently promoted, in 1986, to Senior Correspondent Banking Officer in charge of the Far East. He served as RZB's representative in Singapore from 1987 to 1990 where he oversaw operations in Southeast Asia and the Indian sub-continent. During the same period, he served as a Director at Bravona Singapore. In 1990, Mr Silhavy was appointed as Chief Representative for Asia, Australia and New Zealand at the RZB bank's representative office in Singapore, where he oversaw RZB's offices in the region. From 2004 to August 2005, he served as the Deputy Chairman of the Supervisory Board at PT. Lippobank, Indonesia, and has been serving as a Director and Member of the Supervisory Board at Centrotrade Singapore Pte Ltd since 2002. He is currently the General Manager and Chief Executive Officer of the Singapore branch of RZB - Austria where he is involved in the representation of RZB's Central Eastern European (CEE) subsidiaries for Asia-Pacific, involving coverage of CEE markets. RZB-Austria, Singapore Branch, owns Golden Decade International Limited, which in turn owns 10.0% of the Manager.

Mr Markus Parmadi

Mr Markus Parmadi is a Non-Executive Director of the Manager. Mr. Parmadi studied technology and economics at the University of Indonesia. He has a wealth of experience in the banking industry. From 1971 to 1983, he was the Vice President at Citibank N.A. He served as a Director on the board of PT Bank Central Asia from 1983 to 1990 and from 1990 to 1998, he was President Director of PT Bank Lippo.

Mr. Parmadi served the Indonesian government between 1998 and 2000. He was attached to the Office of State Minister for State-Owned Enterprises/Agency for State-Owned Enterprises where he held the office of Assistant/Deputy Minister for Public Utilities and Resource Industries and Assistant/Deputy Minister for Finance and Other Services.

From 1998 to September 2003, Mr. Parmadi was Commissioner of PT Bank Mandiri (Persero) Tbk before becoming Independent Commissioner from September 2003 to May 2005. He was also Commissioner of PT Citra Marga Nusaphala Persada Tbk from June 1999 to December 2000 and Independent Commissioner from June 2001 to June 2007.

Mr. Parmadi is currently the Commissioner of Lembaga Penjamin Simpanan; PT Multi Media Interaktif and PT Media Interaksi Utama.

Datuk Robert Chua Teck Chew

Datuk Robert Chua Teck Chew is an Independent Director of the Manager. He brings with him nearly forty years of corporate experience. Datuk Chua co-founded A.C.E. Daikin Group in 1968, and over the span of the next 34 years, led it to be a leading manufacturer of residential, commercial and industrial air conditioners. He was its Executive Chairman and CEO until his retirement from the Group in 2002. He served as a Director on the board of Neptune Orient Lines for six and a half years, before retiring from his directorship on 31 December 2003. He is also a former Director of several other public listed companies, including IFS Capital Ltd. (formerly known as International Factors Singapore Ltd.), Singapore Technologies Marine Ltd., Singapore Computer Systems Ltd and Omni Industries Ltd. Datuk Chua is also a former Board Director of ECICS Holdings Ltd., which was at one time owned by the Singapore Government's Temasek Holdings Ltd and 150 international banks.

From 1992 to 1994, Datuk Chua was a Nominated Member of the Singapore Parliament. He held the position of President of the Singapore Confederation of Industries (now known as the Singapore Manufacturers Federation). He is a former Deputy Chairman of the Singapore Trade Development Board (now known as International Enterprise Singapore) and past President and Vice President of the Singapore Federation of Chambers of Commerce and Industry (predecessor of the Singapore Business Federation). He was also a Vice President of the ASEAN Chambers of Commerce and Industry. Datuk Chua is the Founding Co-Chairman of the Malaysia-Singapore Business Council and was also involved in many other committees, including the Vietnam-Singapore Commission for Co-operation. Datuk Chua's public services include active directorship and involvement in several Singapore Government Statutory Boards and Committees such as the Economic Development Board, Trade Development Board, Jurong Town Corporation, National Wages Council, National Computer Board and the Nanyang Technological University.

Datuk Chua has led scores of trade and investment missions to several countries in the Asia Pacific region. For his contributions to Singapore's economic and trade promotion, Datuk Chua was awarded the Public Service Star by the President of Singapore in 1994, a "Datukship" by the Governor of Malacca, the "Partners of Local Enterprise" Award 1992 by the Economic Development Board as well as the Singapore Standards Council's Distinguished Service Award in 1991. Datuk Chua is currently the Executive Chairman of the Excellent Family Lifestyle Group, the Chairman of the Singapore National Committee for the International Electrotechnical Commission as well as the Chairman of IEC's Asia Pacific Steering Group.

Mr Goh Tiam Lock

Mr Goh Tiam Lock is an Independent Director of the Manager. Mr Goh is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Singapore Institute of Surveyors & Valuers and its President from 1986 to 1987, as well as a Fellow of the Singapore Institute of Arbitrators and its Vice-President from 1985 to 1987. Mr Goh is currently a member of the Strata Titles Board, a position he has held since 1999. In 1971, he held the position of Property Manager in Supreme Holdings Ltd. before joining Jones Lang Wootton as a senior executive in 1974.

From 1976 to 1979, he was a Partner in MH Goh, Tan & Partners, and subsequently a Partner in Colliers Goh & Tan from 1980 to 1988, providing advice to clients on all aspects of real estate development and management. Between 1988 to 1992, Mr Goh held various executive positions such as the Managing Director of Colliers Goh & Tan Pte Ltd, and as a Director of Colliers Jardine (S) Pte Ltd. He is currently the Managing Director of Lock Property Consultants, a position he has held since 1993, and advises clients on real estate development and management. He is actively involved in civil and community work, holding positions such as, among others, the Chairman of the Singapore Chinese Chamber of Commerce & Industry Property Management Sub-committee from 1987 to 1989, the Chairman of the Marine Parade Community Club Management Committee from 1984 to 2001, and is also a Master Mediator at the Marine Parade Community Mediation Centre. He has received awards in recognition of his contribution to Singapore, including the Pingkat Bakti Masyarakat (Public Service Medal) (PBM) in 1988 and the Bintang Bakti Masyarakat (Public Service Star) (BBM) in 1997.

Mr Klaus Krombass

Mr Klaus Krombass is the Alternate Director to Mr Mag Rainer Silhavy. Mr Krombass graduated with Economics and Business Administration degree from Vienna Business University in 1997. He worked for GiroCredit Bank, Vienna, from 1993 to 1998 in the business analysis department. In 1998, he joined GE Capital Bank, Vienna where his work responsibilities included credit underwriting recommendations and decisions for commercial customers. In 2000, he joined RZB, Vienna, where he was responsible for international credit management (with focus on the branch offices in Singapore and China) and securitisations, as well as internal projects like rating systems and policy papers. In November 2005, he was promoted to the position of Deputy Head, Corporate Finance of RZB, Singapore. Mr Krombass is currently the Managing Director of Global Corporates and Strategic Participations.

Key Management

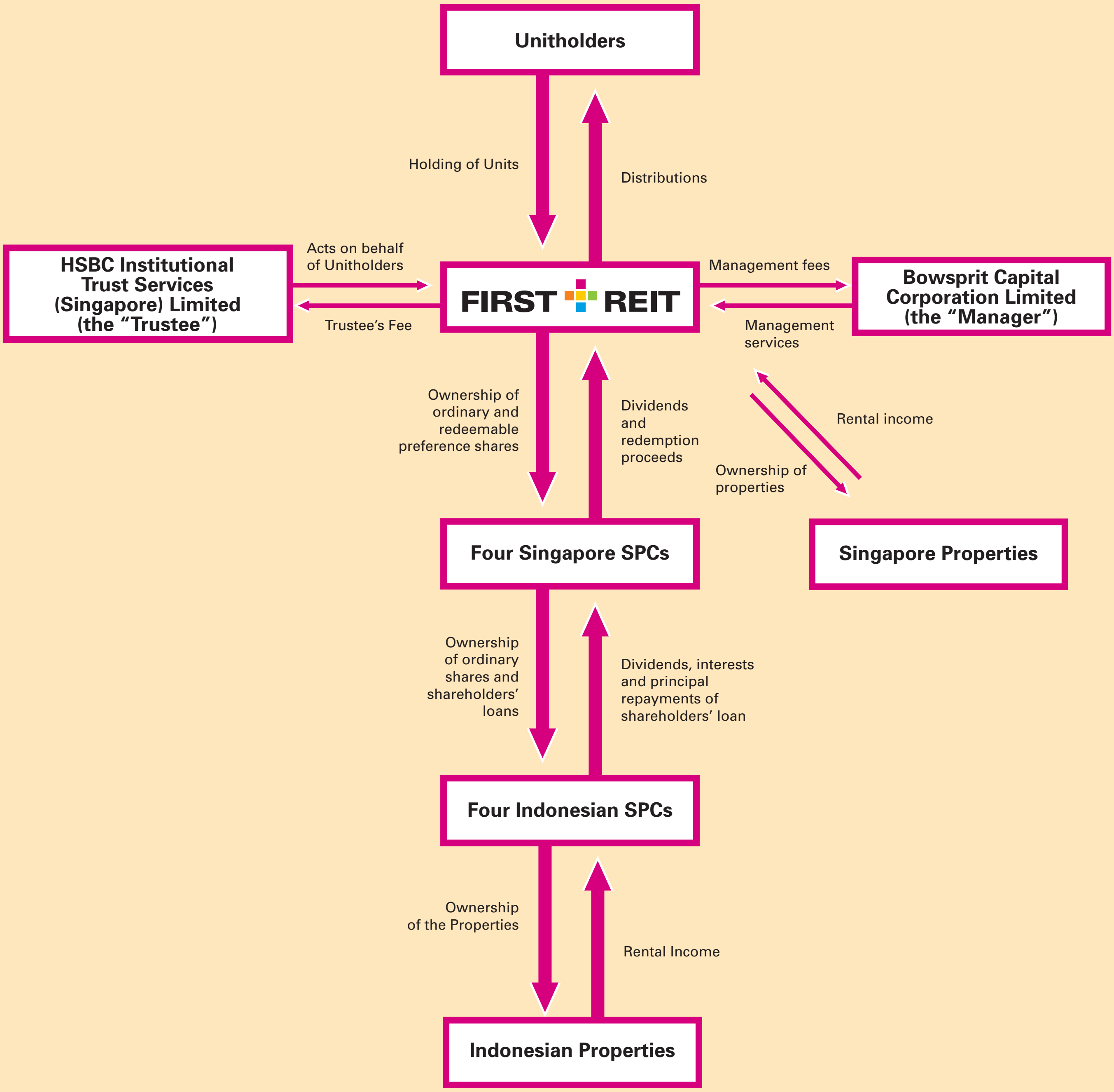
Dr Ronnie Tan
Dr Ronnie Tan is a Director as well as the Chief Executive Officer of the Manager. Dr Tan qualified as a Medical Doctor from the University of Melbourne in 1977. He worked in various government and private healthcare facilities in Australia and Singapore as a Medical Practitioner until 1987. After receiving his Master of Health Administration from Loma Linda University, he joined Parkway Holdings Limited as its International Business Development Manager, and also served as Chief Executive Officer of Gleneagles Hospital. In 1995, he worked in Indonesia as Executive Director of Lippo Group and Chief Executive Officer of Siloam group of hospitals.

From 1998 to September 2004, he took various postings as Chief Executive Officer and Director of AsiaMedic Limited and Senior Executive in Parkway Holdings Limited. Dr Tan was an Independent Non-Executive Director and Chairman of the Audit Committee of Auric Pacific Group Limited from 2001 to 2002. He is an Executive Director of Auric Pacific Group Limited since 1 October 2004 and is responsible for the areas of Business Development (non-food related) as well as Property and Strategic Investments.

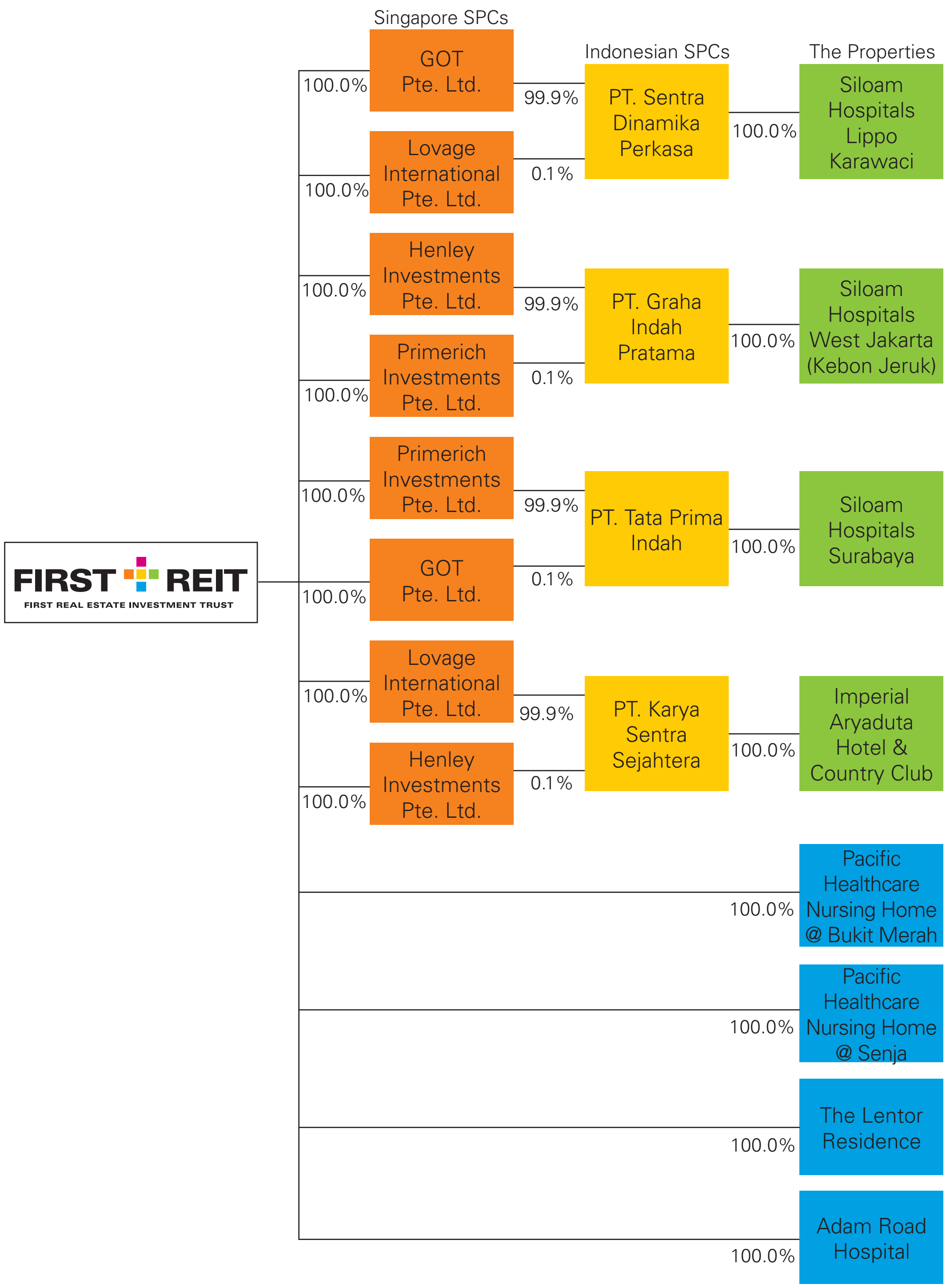
Mr Lo Shye Ru
Mr Lo Shye Ru is the Chief Financial Officer / Investor Relations Manager of the Manager. Mr Lo graduated in 1983 with a Bachelor of Business Administration from the University of Windsor, Canada, and obtained a Master of Accountancy in 1984 from the University of Georgia, U.S. He successfully completed his examinations from the Institute of America Certified Public Accountants (AICPA) in 1984 and the Institute of Management Accountants (IMA) in 1985. From 1985 to 1989, he rose through the ranks in Blue Cross and Blue Shield (U.S.) from the position of a Staff Auditor to that of a Lead Auditor. At Greater Southeast Healthcare System (U.S.), he held the position of Assistant Director for Reimbursement from 1990 to 1993, and subsequently that of Assistant Director for Budget from 1993 to 1994. He was made a Director of Budget and Reimbursement in 1994, a role that he held up till 1996. From 1996 to 2000, Mr Lo was the Financial Controller at Gleneagles Hospital Ltd and Parkway Group Healthcare Pte Ltd, where he was subsequently promoted to Vice President of Strategic Planning & Corporate Development. Mr Lo left Parkway Healthcare Pte Ltd in June 2006 to take on the role of Chief Financial Officer at Bowsprit Capital Corporation Limited.

Mr Chan Seng Leong, Jacky
Mr Chan Seng Leong, Jacky is the Senior Asset and Investment Manager of the Manager. He graduated from the National University of Singapore in 1993 with a Bachelor of Science (Estate Management) (2nd Class Upper Honours) degree and subsequently in 1999 with a Master of Science (Real Estate) degree. In 2002, he obtained a Master in Business Administration degree from the University of Western Australia, Graduate School of Management, Perth, majoring in finance, and was awarded the Director's Letter for scoring full distinctions in the course. Being a member of the Singapore Institute of Surveyors and Valuers as well as a Licensed Appraiser (Lands & Buildings), Mr Chan has extensive real estate and property experience in Singapore, Hong Kong and the PRC. From 1993 to 1998, his work responsibilities involved, among others, property valuations, property sales and marketing, property consulting, real estate research and feasibility studies. In 1998, he joined Chesterton International Property Consultants Pte Ltd as Assistant Manager (Valuations) and was subsequently promoted in rank and file to Executive Director (Valuations & Investment Advisory) where he performed valuations totalling more than S$1 billion worth of real estate in Singapore and regionally, and advised in real estate transactions worth more than S$600 million in total. His scope of responsibilities then included managing and advising real estate transactions, providing real estate market advisory and real estate financial advice, as well as managing key clients' accounts for strategic real estate services. Prior to joining the Manager, Mr Chan was with Ascendas-MGM Funds Management Ltd since early 2005 as the Investment Manager for Ascendas Real Estate Investment Trust. As Investment Manager, he was involved in spearheading multi-million dollar real estate acquisitions, structuring property investment and development deals (such as sale and leaseback, built-to-suit and partial headlease), conduct property due diligence, as well as the planning and implementation of leasing and asset enhancement strategies to improve efficiency.

Trust Structure



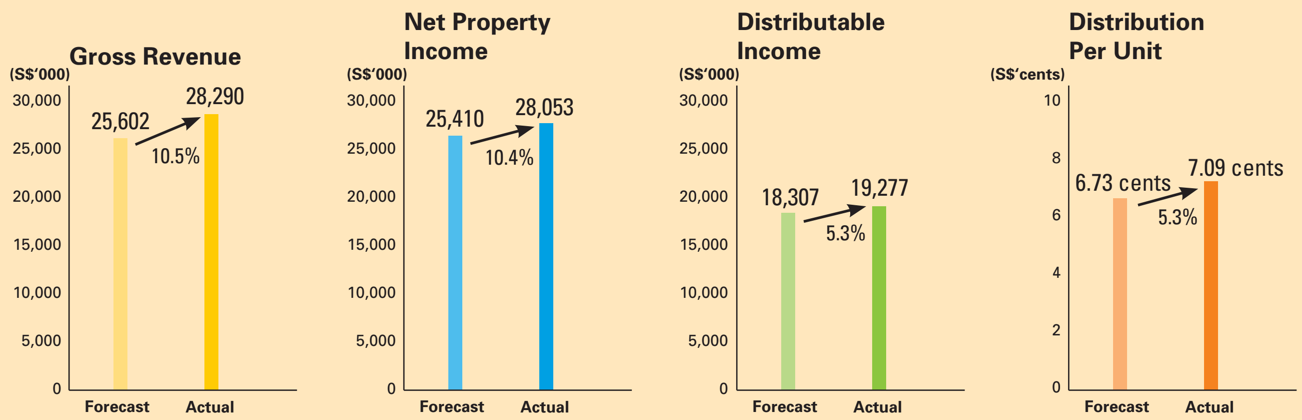
Ownership Structure



Financial Highlights

Summary of First REIT's Results

11 Dec 2006 – 31 Dec 2007



Rental Income

Tenant	%
PT. Lippo Karawaci Tbk	85.86
Pacific Hospital Consultants Pte. Ltd.	4.13
First Lentor Residence Pte. Ltd.	3.55
Pacific Healthcare Nursing Home Pte. Ltd.	3.27
Pacific Eldercare and Nursing Pte. Ltd.	3.19

- None of the lease commitments will expire in the next five years

Balance Sheet

(S$'000m)	As at 19 Oct 2006	As at 31 Dec 2007
Total Assets	263,040	340,872
Total Borrowings	0	50,633
Unitholders' Funds	234,762	251,342

Number of Units in Issue: 272,073,506
Market Capitalisation (As at 31 December 2007) : S$209.7 million

Financial Ratios

	FY2007 (1)	YTD 2007 (2)
Earnings Per Unit	10.91 cents	30.35 cents

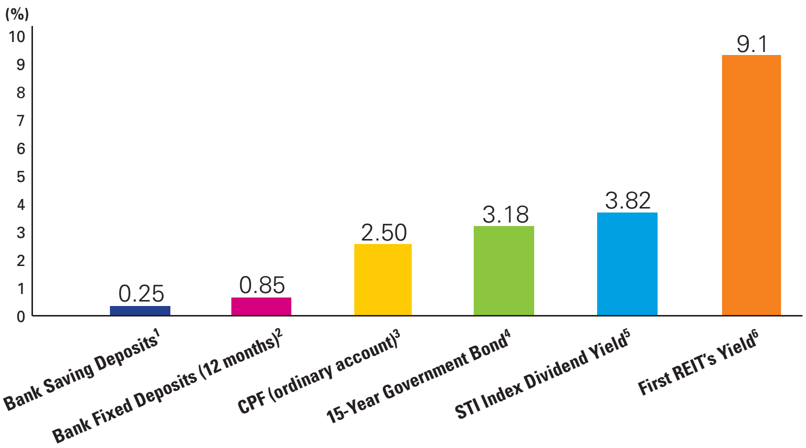
(1) FY2007 refers to the period from 1 Jan 2007 to 31 Dec 2007

(2) YTD 2007 refers to the date of constitution of the Trust in 19 Oct 2006 to 31 Dec 2007

	As at 11 Dec 2006	As at 31 Dec 2007
Net Asset Value Per Unit	8.65 cents	92.38 cents
Debt to Property	NA	15.5%
Interest Cover	NA	15 times
Management Expense Ratio	NA	1.33%

(1) NAV per unit at the date of constitution of the Trust in 19 Oct 2006 is not meaningful

Yield Comparison



[1] Interest rate for bank savings deposits as at end Dec 2007. Source: MAS website

[2] Interest rate for bank fixed deposits (12 months) as at end Dec 2007. Source: MAS website

[3] Interest paid on Central Provident Fund ordinary account from Oct to Dec 2007. Source: CPF website

[4] Singapore Government Securities bond yield as at 31 Dec 2007. Source: SGS Website

[5] Based on Bloomberg data as at 11 Feb 2008.

[6] Based on the average share price for the period from 11 Dec 2006 (at S$0.71) to 31 Dec 2007 (at S$0.76) and DPU of 7.09 Singapore Cents.

Unit Price Performance

Unit Price Performance	YTD 2007 (1)
IPO Offering Price	$0.71
As at Last Trading Day of The Year	$0.77
Highest	$0.84
Lowest	$0.72
Weighted Average	$0.77
Trading Volume (Million Unit)	326.34

(1) YTD 2007 refers to the date of constitution of the Trust in 19 Oct 2006 to 31 Dec 2007

Financial Calendar 2008 (TENTATIVE)

Tentative Date	Activity
21 April 2008	1Q FY2008 Results Announcement
30 May 2008	1Q FY2008 Distribution to Unitholders
21 July 2008	2Q FY2008 Results Announcement
29 August 2008	2Q FY2008 Distribution to Unitholders
20 October 2008	3Q FY2008 Results Announcement
28 November 2008	3Q FY2008 Distribution to Unitholders
21 January 2009	4Q FY2008 Results Announcement
27 February 2009	4Q FY2008 Distribution to Unitholders

Corporate Governance

Bowsprit Capital Corporation Limited (the "Manager"), as the manager of First Real Estate Investment Trust ("First REIT") is committed to good corporate governance as it believes that such self-regulatory controls are essential to protect the interest of the Unitholders, as well as critical to the performance of the Manager.

The Manager uses the Code of Corporate Governance (the "Code") as its benchmark for its corporate governance policies and practices. The following segments describe the Manager's main corporate governance policies and practices.

THE MANAGER OF FIRST REIT

The Manager has general powers of management over the assets of First REIT. The Manager's key financial objective is to provide Unitholders of First REIT with a competitive rate of return for their investment by ensuring regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value of First REIT.

The primary role of the Manager is to set the strategic direction of First REIT and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of First REIT (the "Trustee") on the acquisition, divestment or enhancement of assets of First REIT in accordance with its stated investment strategy. The research, analysis and evaluation required for this purpose are co-ordinated and carried out by the Manager. The Manager is also responsible for the risk management of First REIT.

Other functions and responsibilities of the Manager include:

- Using its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or on behalf of First REIT, at arm's length and on normal commercial terms;

- Preparing property plans on a regular basis for review by the directors of the Manager ("Directors"), which may contain proposals and forecast on net income, capital expenditure, sales and valuations, explanation of major variances to previous forecasts, written commentary on key issues and any other relevant assumptions. The purpose of these plans is to explain the performance of First REIT's assets;

- Ensuring compliance with the applicable provisions of the SFA and all other relevant legislations, the Listing Manual, the CIS Code (including Property Fund Guidelines), the Trust Deed, Singapore Financial Reporting Standards, any tax ruling and all relevant contracts; and

- Attending to regular communications with Unitholders.

First REIT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experience and well-qualified management personnel to handle the day-to-day operations of the Manager. The Manager, and not First REIT remunerate all directors and employees of the Manager.

BOARD OF DIRECTORS OF THE MANAGER

Role of the Board

The Board of Directors of the Manager (the "Board") is entrusted with the responsibility of overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of First REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of Directors. The Board has established a framework for the management of the Manager and First REIT, including a system of internal control and a business risk management process.

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of First REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of First REIT against previously approved budget, and to approve the release of the quarterly, half year and full year results. The Board also reviews the risks to the assets of First REIT, and acts upon any comments from the auditors of First REIT. Where necessary, additional Board meetings would be held to address significant transactions or issues. The Articles of Association (the "Articles") of the Manager provides for Board meetings to be held by way of telephone conference and/or videoconference.

The Board is supported by the Audit Committee that provides independent supervision of management.

The Board has adopted a set of internal controls, which sets out approval limits on capital expenditure, investments and divestments and bank borrowings as well as arrangement in relation to cheque signatories. The Board believes that the internal controls system adopted is adequate and appropriate delegations of authority have been provided to the management to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on First REIT or have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially-convened sessions involving relevant professionals. Management also provides the Board with complete and adequate information on a timely manner through regular updates on financial results, market trends and business developments. Newly appointed directors were briefed by management on the business activities of First REIT and its strategic directions.

Four Board meetings were held during the financial year 2007. The attendance at the Board meetings held is set out in page 28.

Board Composition and Balance

The Board presently consists of six Directors and one Alternate Director, of whom three are Non-Executive Independent Directors. The Chairman of the Board is Mr Albert Saychuan Cheok. The Chief Executive Officer is Dr Ronnie Tan Keh Poo. The other members of the Board are Datuk Robert Chua Teck Chew, Mr Goh Tiam Lock, Mr Mag Rainer Silhavy, Mr Markus Parmadi and Mr Klaus Krombass (Alternate Director to Mr Mag Rainer Silhavy).

The Board comprises business leaders and professionals with fund management, property, banking and finance backgrounds. The Board considers the present Board size appropriate for the nature and scope of First REIT's operations. The profiles of the Directors are set out on pages 12 and 14 of this Annual Report.

The composition of the Board is determined using the following principles: -

- The Chairman of the Board should be a non-executive Director;
- The Board should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry;
- At least one-third of the Board should comprise of Independent Directors; and
- The composition of the Board is reviewed regularly to ensure that the Board has the appropriate size and mix of expertise and experience.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons. The Chairman, Mr Albert Saychuan Cheok is an Independent Director while the Chief Executive Officer, Dr Ronnie Tan Keh Poo is an Executive Director. This is so to maintain an effective oversight and clear segregation of responsibilities.

The Chairman is responsible for the overall management of the Board as well as ensuring that members of the Board work together with management in a constructive manner to address strategies, business operations and enterprise issues. The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions concerning the management of First REIT. He works closely with the Board to implement the policies set by the Board to realise the Manager's vision.

The majority of the Directors are non-executive and independent of management. This enables management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It also enables the Board to work with management through robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles between the Chairman and Chief Executive Officer, provides a healthy professional relationship between the Board and management, with clarity of roles and robust oversight as they deliberate on business activities of the Manager.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board from among the Directors and is composed of three members, the majority of whom (including the Chairman of the Audit Committee) are required to be Independent Directors.

Presently, the Audit Committee consists of the following:

Mr Albert Saychuan Cheok (Chairman)	(Non-executive and Independent)
Datuk Robert Chua Teck Chew	(Non-executive and Independent)
Mr Goh Tiam Lock	(Non-executive and Independent)

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nominations of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "Related Party Transactions");

- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;

- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;

- ensuring that the internal audit function is adequately resourced and has appropriate standing with First REIT;

- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;

- nominating external auditors;

- reviewing the nature and extent of non-audit services performed by the external auditors;

- reviewing, on an annual basis, the independence and objectivity of the external auditors;

- meeting with external and internal auditors without presence of the Executive Officers at least on an annual basis;

- examining the effectiveness of financial, operating and compliance controls;

- reviewing the financial statements and the internal audit report;

- investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary; and

- reporting to the Board on material matters, findings and recommendations.

The Audit Committee has full access to and co-operation from management and enjoys full discretion to invite any director and executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Board of Directors has accepted Audit Committee's recommendation to outsource the Manager's Internal Audit functions with effect from the financial year ended 31 December 2007.

The Audit Committee had also conducted a review of all non-audit services provided by the external auditors and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. No non-audit fees were paid to the external auditors during the financial year under review. The Audit Committee recommends to the Board of Directors, the nomination of the external auditors for re-appointment.

Four Audit Committee meetings were held during the financial year 2007. The attendance at the Audit Committee meetings held is set out in page 28.

INTERNAL AUDIT

The Manager has put in place a system of internal controls of procedures and processes to safeguard First REIT's assets, Unitholders' interest as well as to manage risk.

The internal audit function of the Manager is out-sourced to Baker Tilly Consultancy (S) Pte Ltd, a member firm of Baker Tilly International. The internal auditors report directly to the Audit Committee on audit matters, and to the Board on administrative matters. The Audit Committee is of the view that the internal auditor has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that is audits.

DEALINGS IN FIRST REIT UNITS

In general, the Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold First REIT units ("Units") but are prohibited from dealing in Units:

- in the period commencing one month before the public announcement of First REIT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and

- at any time while in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be. The Manager has also undertaken that it will not deal in Units in the period commencing one month before the public announcement of First REIT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations.

MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of First REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests and value. First REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often, if necessary and reviews the financial performance of the Manager and First REIT against a previously approved budget. The Board will also review the business risks of First REIT, examine liability management and will act upon any comments from the auditors of First REIT. In assessing business risk, the Board considers the economic environment and risk relevant to the property industry. The Board reviews management reports and feasibility studies on individual development projects prior to approving major transactions. Management meets regularly to review the operations of the Manager and First REIT and discuss any disclosure issues.

DEALING WITH CONFLICT OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interest issues, which the Manager may encounter, in managing First REIT:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as First REIT;

- All executive officers will be employed by the Manager;

- All resolutions in writing of the Directors in relation to matters concerning First REIT must be approved by a majority of the Directors, including at least one Independent Director;

- At least one-third of the Board shall comprise Independent Directors; and

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/ their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Sponsor and/ or its subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager and the Trustee may take any action it deems necessary to protect the right of Unitholders and/or which is in the interest of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

WHISTLE BLOWING POLICY

The Audit Committee has put in place procedures to provide employees of the Manager with well defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to First REIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

RELATED PARTY TRANSACTIONS

In general, the Manager has established procedures to ensure that all future Related Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of First REIT and the Unitholders. As a general rule, the Manager must demonstrate to its Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Guidelines).

In addition, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S$100,000.00 in value but below 3.0% of the value of First REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5% of the value of First REIT's net tangible assets will be subject to review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types transactions made by the Trustee with third parties which are unrelated to the Manager; and

• transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of First REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transactions from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning First REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of First REIT with a related party of the Manager or First REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of First REIT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or First REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) as well as such other guidelines as maybe from time to time prescribed by the MAS or SGX-ST to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions

All Related Party Transactions will be subjected to regular periodic reviews by the Audit Committee. The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on arm's length basis and on normal commercial terms and are not prejudicial to the interest of Unitholders.

The Manager will maintain a register to records all Related Party Transactions (and the bases, including any quotations from unrelated third parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by First REIT. The Manager will incorporate into its internal audit plan a review of all Related Party Transactions entered into by First REIT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Guidelines have been complied with. The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Guidelines and/or the Listing Manual. The review will include the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager will disclose in First REIT's annual report the aggregate value of Related Party Transactions entered into during the relevant financial period/ year.

COMMUNICATION WITH UNITHOLDERS

The Listing Manual of the SGX-ST requires that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager strives to uphold a strong culture of timely disclosure and transparent communication with the First REIT Unitholders and the investing community.

The Manager's disclosure policy requires timely and full disclosure of all material information relating to First REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on First REIT's website at www.first-reit.com.

The Manager also conducts regular briefings for analyst and media representatives, which generally coincide with the release of First REIT's results. During these briefing, management will review First REIT's most recent performance as well as discuss business outlook for First REIT. In line with the Manager's objective of transparent communication, briefing materials are released through SGX-ST via SGXNet and also made available on First REIT's website at www.first-reit.com.

BOARD COMPOSITION AND AUDIT COMMITTEE

The Manager believes that contributions from each Director can be reflected in ways other than the reporting of attendances at Board and Audit Committee meetings. A Director of the Manager would have been appointed on the principles outlined earlier in this statement, and his ability to contribute to the proper guidance of the Manager in its management of First REIT.

The matrix of the Board members and Audit Committee members attendance at meetings held in the year 2007 is as follows:

Name of Directors/ Audit Committee Members	Board Meetings	Audit Committee Meetings
	Attendance/ No. of meetings held	Attendance/ No. of meetings held
Mr Albert Saychuan Cheok	4/4	4/4
Dr Ronnie Tan Keh Poo	4/4	NA
Datuk Robert Chua Teck Chew	3/4	3/4
Mr Goh Tiam Lock	4/4	4/4
Mr Mag Rainer Silhavy	2/4	NA
Mr Markus Parmadi[1]	1/4	NA
Mr Klaus Krombass (Alternate Director to Mag Rainer Silhavy)[2]	1/4	NA
Mr Chan Kin[3]	0	0

NA: Not Applicable

Notes:
1. Mr Markus Parmadi was appointed on 18 September 2007
2. Mr Klaus Krombass was appointed as an alternate director to Mr Mag Rainer Silhavy on 14 February 2007
3. Mr Chan Kin resigned on 24 March 2007

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Report of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of First Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of the units in the Trust (the "Units"). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Bowsprit Capital Corporation Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 October 2006 (subsequently amended on 6 September 2007) between the Trustee and the Manager (the "Trust Deed") in each annual accounting period and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations, Singapore Financial Reporting Standards as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the financial year covered by the accompanying financial statements, set out on pages 34 to 67 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,

HSBC Institutional Trust Services (Singapore) Limited

Director

Singapore
7 March 2008

Statement by the Manager

In the opinion of the directors of Bowsprit Capital Corporation Limited, the accompanying financial statements of First Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 34 to 67 comprising the Balance Sheets as at 31 December 2007, Statements of Total Return, Statements of Distribution, Statements of Changes in Unitholders' Funds, Statements of Portfolio and Statements of Cash Flow for the financial year then ended and Notes to the Financial Statements are properly drawn up in accordance with the provisions of the Trust Deed, Singapore Financial Reporting Standards and the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" so as to give a true and fair view of the state of affairs of the Group and the Trust as at 31 December 2007 and the returns, changes in unitholders' funds and cash flows of the Group and the Trust for the financial year ended on that date. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,

Bowsprit Capital Corporation Limited

Dr Ronnie Tan Keh Poo @ Tan Kay Poo
Director

Singapore
7 March 2008

Independent Auditors' Report

To the Unitholders of First Real Estate Investment Trust

We have audited the accompanying financial statements of First Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), as set out on pages 34 to 67 which comprise the Balance Sheets as at 31 December 2007, Statements of Total Return, Statements of Distribution, Statements of Changes in Unitholders' Funds, Statements of Portfolio and Statements of Cash Flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Managers' Responsibility for the Financial Statements

Bowsprit Capital Corporation Limited (the "Manager") of the Trust is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Trust Deed, Singapore Financial Reporting Standards and the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts". This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Trust Deed, Singapore Financial Reporting Standards and the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" so as to give a true and fair view of the state of affairs of the Group and the Trust as at 31 December 2007, and the returns, changes in unitholders' funds and cash flows of the Group and the Trust for the year ended on that date.

RSM Chio Lim
Certified Public Accountants

Singapore
7 March 2008

Partner in charge of audit: Kaka Singh
Effective from year ended 31 December 2007

Statements of Total Return

Financial Year Ended 31 December 2007

	Notes	Group 2007 $'000	Trust 2007 $'000
Gross Revenue	4	28,290	21,419
Property Operating Expenses	5	(237)	(122)
Net Property Income		28,053	21,297
Manager's Management Fees	6	(2,664)	(2,664)
Trustee Fees		(120)	(120)
Finance Costs	7	(1,610)	(1,610)
Other Expenses	8	(486)	(458)
Net Income		23,173	16,445
Gains on Revaluation of Investment Properties	12	90,952	2,125
Total Return for The Financial Year Before Income Tax		114,125	18,570
Income Tax for The Financial Year	9	(31,688)	(382)
Total Return for The Financial Year After Tax		82,437	18,188
		Cents	**Cents**
Earnings per Unit in Cents			
Basic and Diluted Earnings per Unit	10	30.35	NA
Adjusted Notional Basic and Diluted Earnings per Unit	10	6.82	NA
Distribution per Unit in Cents	11	7.09	7.09

The accompanying notes form an integral part of these financial statements.

Statements of Distribution

Financial Year Ended 31 December 2007

	Group 2007 $'000	Trust 2007 $'000
Total Return for The Financial Year After Tax	82,437	18,188
Less: Net Adjustments (Note A below)	(63,160)	1,089
Total Distribution to Unitholders	19,277	19,277
Distributions made to Unitholders:		
Distribution of 1.96 cents per unit for the period from 19 October 2006 to 31 March 2007	5,296	5,296
Distribution of 1.65 cents per unit for the period from 1 April 2007 to 30 June 2007	4,495	4,495
Distribution of 1.72 cents per unit for the period from 1 July 2007 to 30 September 2007	4,693	4,693
Total Interim Distribution Paid in the Financial Year Ended 31 December 2007	14,484	14,484
Total Return Available For Distribution To Unitholders For The Quarter Ended 31 December 2007 (See Notes 11 and 27)	4,793	4,793
	19,277	19,277
Unitholders' Distribution:		
– As Distribution From Operations	17,088	17,088
– As Distribution Of Unitholders' Capital Contribution	2,189	2,189
	19,277	19,277

Note A

	Group 2007 $'000	Trust 2007 $'000
Net Adjustments:		
Surplus On Revaluation Of Investment Properties, Net Of Deferred Tax	(63,921)	(1,743)
Manager's Management Fees Settled In Units	695	695
Provision On Property Operating Expenses	100	100
Tax-Exempt Income	–	2,986
Other Adjustments	(34)	(949)
	(63,160)	1,089

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As At 31 December 2007

	Notes	Group 2007 $'000	Trust 2007 $'000
ASSETS			
Non-Current Assets			
Investment Properties	12	325,600	53,900
Investment in Subsidiaries	13	–	180,683
Total Non-Current Assets		325,600	234,583
Current Assets			
Trade and Other Receivables, Current	14	808	187
Other Assets, Current	15	859	346
Cash and Cash Equivalents	16	13,605	12,694
Total Current Assets		15,272	13,227
Total Assets		340,872	247,810
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' Fund			
Issued Equity		181,722	181,722
Retained Earnings		69,620	5,371
Total Unitholders' Funds	17	251,342	187,093
Non-Current Liabilities			
Other Financial Liabilities, Non-Current	19	50,633	50,633
Deferred Tax Liabilities	9	27,031	382
Total Non-Current Liabilities		77,664	51,015
Current Liabilities			
Income Tax Payable	9	2,091	–
Trade and Other Payables, Current	20	4,658	9,577
Other Liabilities, Current	21	5,117	125
Total Current Liabilities		11,866	9,702
Total Liabilities		89,530	60,717
Total Unitholders' Funds And Liabilities		340,872	247,810
		Cents	**Cents**
Net Asset Value per Unit in Cents			
Basic Net Asset Value	17	92.38	68.77
Adjusted Notional Basic Net Asset Value	17	68.88	68.12

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Unitholders' Funds

Financial Year Ended 31 December 2007

	Issued Equity $'000	Retained Earnings $'000	Total $'000
Group:			
Current Year:			
Opening Balance	–	–	–
Total Return for the Financial Year	–	82,437	82,437
Total Recognised Income for the Year	–	82,437	82,437
Other Movements in Equity:			
Transactions With Unitholders:			
Initial Public Offering (Net of Issue Costs)	182,872	–	182,872
Manager's Management Fees Settled in Units	517	–	517
Distribution to Unitholders (Note 11)	(1,667)	(12,817)	(14,484)
Closing Balance at 31 December 2007	181,722	69,620	251,342

	Issued Equity $'000	Retained Earnings $'000	Total $'000
Trust:			
Current Year:			
Opening Balance	–	–	–
Total Return for the Financial Year	–	18,188	18,188
Total Recognised Income for the Year	–	18,188	18,188
Other Movements in Equity:			
Transactions With Unitholders:			
Initial Public Offering (Net of Issue Costs)	182,872	–	182,872
Manager's Management Fees Settled in Units	517	–	517
Distribution to Unitholders (Note 11)	(1,667)	(12,817)	(14,484)
Closing Balance at 31 December 2007	181,722	5,371	187,093

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

As At 31 December 2007

By Geographical Area

Group

Description of Property/ Location/Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/ Last Valuation Date	At Valuation 31 December 2007 $'000	Percentage of Total Net Assets as at 31 December 2007 %
Indonesia				
Siloam Hospitals Lippo Karawaci Jalan Siloam No. 6 Lippo Karawaci, Tangerang, Banten, Indonesia 15811 11 December 2006	27,284	Hospital Hak Guna Bangunan ("HGB") Revalued 2007	139,000	55.30
Siloam Hospitals West Jakarta Jalan Raya Perjuangan Kav. 8 Kebon Jeruk, West Jakarta, Indonesia 11530 11 December 2006	18,234	Hospital HGB Revalued 2007	75,100	29.88
Siloam Hospitals Surabaya Jalan Raya Gubeng No.70 Gubeng Surabaya, East Jawa, Indonesia 60281 11 December 2006	9,042	Hospital HGB Revalued 2007	25,800	10.26
Imperial Aryaduta Hotel & Country Club 401 Jenderal Sudirman Lippo Karawaci Tangerang, Banten, Indonesia 15811 11 December 2006	17,427	Hotel & Country Club HGB Revalued 2007	31,800	12.65
Singapore				
Pacific Healthcare Nursing Home, Bukit Merah, 6 Lengkok Bahru, Singapore 159051 11 April 2007	3,593	Nursing Home 30 years leasehold from 2002 Revalued 2007	12,600	5.01
Pacific Healthcare Nursing Home, Senja 21 Senja Road, Singapore 677736 11 April 2007	3,563	Nursing Home 30 years leasehold from 2003 Revalued 2007	11,500	4.58
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007	2,983	Nursing Home 99 years leasehold from 1938 Revalued 2007	13,100	5.21
Adam Road Hospital 19 Adam Road, Singapore 289891 23 July 2007	1,246	Hospital Freehold Revalued 2007	16,700	6.65
Portfolio Of Investment Properties At Valuation			325,600	129.54
Other Net Liabilities			(74,258)	(29.54)
Net Assets Attributable To Unitholders			251,342	100.00

The accompanying notes form an integral part of these financial statements.

By Geographical Area

Trust

Description of Property/ Location/Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/ Last Valuation Date	At Valuation 31 December 2007 $'000	Percentage of Total Net Assets as at 31 December 2007 %
Singapore				
Pacific Healthcare Nursing Home, Bukit Merah, 6 Lengkok Bahru, Singapore 159051 11 April 2007	3,593	Nursing Home 30 years leasehold from 2002 Revalued 2007	12,600	6.73
Pacific Healthcare Nursing Home, Senja 21 Senja Road, Singapore 677736 11 April 2007	3,563	Nursing Home 30 years leasehold from 2003 Revalued 2007	11,500	6.15
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007	2,983	Nursing Home 99 years leasehold from 1938 Revalued 2007	13,100	7.00
Adam Road Hospital 19 Adam Road, Singapore 289891 23 July 2007	1,246	Hospital Freehold Revalued 2007	16,700	8.93
Portfolio Of Investment Properties At Valuation			53,900	28.81
Investments In Subsidiaries			180,683	96.57
Other Net Liabilities			(47,490)	(25.38)
Net Assets Attributable To Unitholders			187,093	100.00

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flow

Financial Year Ended 31 December 2007

	Group 2007 $'000	Trust 2007 $'000
Cash Flows From Operating Activities:		
Total Return Before Income Tax	114,125	18,570
Adjustments For:		
Interest Income	(230)	(227)
Dividend Income	–	(18,790)
Interest Expense	1,306	1,306
Amortisation of Borrowings Costs	(304)	(304)
Surplus on Revaluation of Investment Properties	(90,952)	(2,125)
Manager's Management Fees Settled in Units	517	517
Operating Cash Flows Before Working Capital Changes	24,462	(1,053)
Trade And Other Receivables	(741)	(123)
Other Assets, Current	(360)	(346)
Trade And Other Payables	4,288	9,207
Other Liabilities, Current	5,117	125
Net Cash From Operating Activities before Income Tax	32,766	7,810
Income Tax Paid	(3,065)	–
Net Cash From Operating Activities	29,701	7,810
Cash Flows From Investing Activities:		
Acquisition of Investment Properties	(234,648)	(51,775)
Investment in Subsidiaries	–	(180,683)
Dividend Received	–	18,790
Interest Received	163	163
Net Cash Used In Investing Activities	(234,485)	(213,505)
Cash Flows From Financing Activities:		
Proceeds From Issuance of Units	182,872	182,872
Increase in Borrowings	50,937	50,937
Interest Paid	(936)	(936)
Distribution to the Unitholders	(14,484)	(14,484)
Net Cash From Financing Activities	218,389	218,389
Net Increase In Cash And Cash Equivalents	13,605	12,694
Cash And Cash Equivalents At End Of Financial Year (Note 16)	13,605	12,694

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

31 December 2007

1. General

First Real Estate Investment Trust ("First REIT" or the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 October 2006 (subsequently amended on 6 September 2007) entered into between Bowsprit Capital Corporation Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of the Republic of Singapore ("Trust Deed").

First REIT was admitted to the official list on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 December 2006.

The principal activity of the Trust and its subsidiaries (the "Group") is to invest in a portfolio of income-producing real estate, which is primarily used for healthcare and healthcare-related purposes, whether wholly or partially with the primary objective to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit.

The registered office of the Manager is: 1 Phillip Street #15-00 Singapore 048692.

The financial statements were approved and authorised for issue by the board of directors of the Manager on 7 March 2008. The financial statements relates to First REIT and the Group.

First REIT has entered into several service agreements in relation to the management of First REIT. The fee structures of these services are as follows:

(A) Trustee's fees
The Trustee's fees shall not exceed 0.1% per annum of the value of the Deposited Property (as defined in the Trust Deed). The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. Such minimum sum does not exceed $10,000 per month during the first three years after listing date (11 December 2006) and is fixed at $10,000 per month thereafter. The Trustee's fee will be subject to review three years after listing date. For the first year, both parties, the Trustee and the Manager agreed to fixed the minimum sum of the Trustee's fees for the first year at $5,000 per month.

(B) Manager's Management Fees
Under the Trust Deed, the Manager is entitled to management fees comprising the base fee and performance fee as follows:

(i) A base fee ("Base Fee") of 0.4% per annum of the value of the Deposited Property. Any increase in the rate of the Base Fee above the permitted limit or any change in the structure of the Base Fee shall be approved by an extraordinary resolution of a meeting of Unitholders.

(ii) A performance fee ("Performance Fee") is fixed at 5.0% per annum of the Group's Net Property Income ("NPI") or the NPI of the relevant Special Purpose Companies ("SPCs") for each financial year. NPI in relation to a real estate in the form of land, whether directly or held by the Trustee or indirectly held by the Trustee through a SPC, and in relation to any financial year or part thereof, means its property income less property operating expenses for such real estate for that financial year or part thereof. The Manager may opt to receive the performance fee in the form of units and or cash.

(iii) Manager's acquisition fee ("Acquisition Fee") is determined at 1.0% of value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

(iv) The Manager is also entitled for divestment fee ("Divestment Fee") at the rate of 0.5% of value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

Notes to Financial Statements
31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS") as issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS"), Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. Where presentation guidance set out in the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" is consistent with the requirements of FRS, First REIT has sought to prepare the financial statements on a basis compliant with the recommendations of RAP 7. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The financial statements are presented in Singapore dollars, recorded to the nearest thousand, unless otherwise stated.

Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the balance sheet date each year of the Trust and all its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill, if any, is included in the determination of the gain or loss on disposal.

Basis of Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring Manager's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Business Combinations

Business combinations are accounted for by applying the purchase method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed.

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

There were no business combinations and goodwill during the year.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the Trust's own separate financial statements, the investments in subsidiaries are stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of sales related taxes and discounts. Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue is recognised as follows:

Rental income from operating leases

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset.

Interest income

Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset.

Dividends income

Dividends on equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. This includes the government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation base on past practice.

2. Summary of Significant Accounting Policies (Cont'd)

Income Tax
The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Tax and deferred tax are recognised in the statement of return except that when they relate to items that initially bypass the statement of return and are taken to unitholders' funds, in which case they are similarly taken to unitholders' funds. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries and associates because (a) the Trust is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax amount is not recognised if it arises from goodwill for which amortisation is not deductible for tax purposes. Taxes relating to items directly related to unitholders' funds in which case it is recognised in unitholders' funds.

Foreign Currency Transactions
The functional currency of First REIT is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the statement of return. The presentation is in the functional currency.

Translation of Financial Statements of Foreign Entities
The foreign subsidiaries determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the combined financial statements the assets and liabilities denominated in currencies other than the functional currency of the group are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

Borrowing Costs
All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Unit Based Payments
The cost is recognised as an expense when the units are issued for services. The issued capital is increased by the fair value of the transaction.

2. Summary of Significant Accounting Policies (Cont'd)

Investment Property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. After initial recognition at cost including transaction costs the fair value model is used to measure the investment property at fair value on the existing use basis to reflect the actual market state and circumstances as of the balance sheet date, not as of either a past or future date. A gain or loss arising from a change in the fair value of investment property is included in the income statement for the period in which it arises. The revaluations are made periodically on a systematic basis at least once yearly by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

Leased Assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the statement of return as an integral part of the total lease expense. Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Impairment of Non-Financial Assets

The carrying amount of such assets (other than (i) intangible assets not yet available for use, (ii) goodwill and other indefinite life intangible assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the asset is written down through the statement of return to its estimated recoverable amount. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use.

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the statement of return unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Summary of Significant Accounting Policies (Cont'd)

Impairment of Non-Financial Assets (Cont'd)
Irrespective of whether there is any indication of impairment, goodwill (and also intangible asset not yet available for use and other indefinite life intangible assets) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

Financial Assets
Initial recognition and measurement:
A financial asset is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit and loss: As at year end date there were no financial liabilities classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not to be classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred 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. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. The trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets: As at year end date there were no financial asset classified in this category.

#4. Available for sale financial assets: As at year end date there were no financial asset classified in this category.

Derecognition of financial assets:
Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Cash and cash equivalents:
Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the cash flow statement the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

2. Summary of Significant Accounting Policies (Cont'd)

Hedging

The entity is exposed to currency and interest rate risks. There is no arrangement to reduce currency and interest rate exposures through derivatives and other hedging instruments.

Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date.

Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

#1. Liabilities at fair value through profit and loss: As at year end date there were no financial liabilities classified in this category.

#2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowing are classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Liabilities and equity financial instruments:

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. The equity and the liability elements of compound instruments are classified separately as equity and as a liability. Equity instruments are recorded at the proceeds net of direct issue costs.

Fair Value of Financial Instruments:

The carrying values of current financial assets and financial liabilities including cash, trade and other receivable, short-term borrowings, trade and other payable approximate their fair values due to the short-term maturity of these instruments. The fair values of non-current financial instruments are not disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment.

Notes to Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Net Assets Attributable to Unitholders

Net assets attributable to unitholders represents residual interest in the net assets of the Trust. Net assets attributable to unitholders are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Distributions on units are recognised as liabilities when they are declared.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the statement of return in the period they occur.

Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Fair values of investment properties:

Certain judgements and assumptions are made in the valuation of the investment properties based calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 12.

Deferred tax estimation:

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The amount at the balance sheet date were $27,031,000 and $382,000 for the Group and the Trust respectively.

3. Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3.1 Related companies:

There are transactions and arrangements between the Trust and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable. There were no financial guarantees issued during the year.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group 2007 $'000	Trust 2007 $'000
The Manager		
Acquisition fee paid in relation to the purchase of investment properties	510	510
Manager's Management fees expense	2,664	2,664
The holding company of The Manager		
Purchase of investment properties during the IPO exercise	182,872	–
Property rental income	25,654	–
The Trustee		
Trustee fees expense	120	120

3. Related Party Transactions (Cont'd)

The Indonesia properties are leased to a related party. The related party has provided bank guarantees in lieu of the security deposits of $12,967,046 for rental income from the properties.

3.2 Key management compensation:
The Group and the Trust have no employees. All its services are provided by the Manager and others.

4. Revenue

	Group 2007 $'000	Trust 2007 $'000
Rental income	28,056	2,402
Interest income	230	227
Dividend income from subsidiaries	–	18,790
Other income	4	–
	28,290	21,419

5. Property Operating Expenses

	Group 2007 $'000	Trust 2007 $'000
Repairs and maintenance	72	72
Property tax	28	28
Valuation expenses	50	–
Insurance expenses	17	–
Other expenses	70	22
	237	122

6. Manager's Management Fees

	Group & Trust 2007 $'000
Base fees	1,273
Performance fees	696
Performance fees settled in units	695
	2,664

7. Finance Costs

	Group & Trust 2007 $'000
Interest expense	1,306
Amortisation of borrowing costs	304
	1,610

8. Other Expenses

	Group 2007 $'000	Trust 2007 $'000
Legal expenses	14	14
Tax consultation expenses	33	33
Investor relation expenses	83	83
Listing expenses	25	25
Handling and processing fees	68	68
Corporate secretarial expenses	24	24
Valuation expenses	90	90
Other expenses	149	121
	486	458

9. Income Tax

	Group 2007 $'000	Trust 2007 $'000
Current tax expense	4,657	–
Deferred tax expense	27,031	382
Total income tax expense	31,688	382

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18.0 % to profit before income tax as a result of the following differences:

	Group 2007 $'000	Trust 2007 $'000
Total return before income tax	114,125	18,570
Income tax expense at the above rate	20,543	3,343
Effect of foreign tax rate	11,045	–
Non-deductible (non-taxable) items	225	(2,836)
Tax transparency	(125)	(125)
	31,688	382
Effective tax rate	28%	21%

The amount of current income taxes outstanding as at end of year was $2,091,000. Such an amount is net of tax advances, which, according to the tax rules, were paid before the year-end.

Notes to Financial Statements
31 December 2007

9. Income Tax (Cont'd)

The deferred tax amounts and movements in the year are as follows:

	Group 2007 $'000	Trust 2007 $'000
Deferred tax liabilities:		
Deferred tax relating to the revaluation of investment properties	27,031	382

It is impracticable to estimate the amount expected to be settled or used within a year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

Also see Note 11.

Taxation of Rental Income from Singapore Properties

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling to grant tax transparency treatment on rental and other related income derived by First REIT in respect of the Singapore properties. Under this tax transparency treatment, subject to meeting the terms and conditions of the tax ruling, the Trustee is not subject to tax on such taxable income to the extent of the amount distributed to unitholders. Instead, the distributions made by First REIT out of such taxable income are subject to tax in the hands of unitholders, unless they are exempt from tax on First REIT's distributions.

For taxable income that is not distributed, tax on such amount of taxable income will be assessed on the Trustee.

For the financial period ended 31 December 2007, First REIT adopted a policy to distribute 100% of its taxable income to unitholders.

Taxation of Income from Indonesia Properties

Corporate Income Tax in Indonesia

Article 3 of Indonesian Government Regulation No. 5 /2002 on the payment of income tax on income from the lease of land and/or building stipulates that income tax on income received or acquired by individuals or entities from the leasing of land and/or buildings consisting of land, houses, multi-story houses, apartments, condominiums, office buildings, office-cum-living space, shops, shop cum house, warehouse, and industrial space which is received or earned from a tenant acting or appointed as a Tax Withholder, is to be withheld by the tenant. The tax rate is ten percent (10%) of the gross value of the land and/or building rental and is final in nature.

Withholding Tax in Indonesia

Under the income tax treaty between Singapore and Indonesia, the Indonesia withholding tax is capped at 10% in respect of:

(a) Dividends paid by a company resident in Indonesia to a company resident in Singapore which owns directly at least 25% of the capital of the company paying the dividends is capped at 10%; and

(b) Interest paid to a resident of Singapore.

Dividends from Indonesia Subsidiaries

Dividends received by the Singapore subsidiaries of First REIT from their respective Indonesia subsidiaries are exempt from Singapore income tax under section 13(8) of the Income Tax Act provided the following conditions are met:

9. **Income Tax** (Cont'd)

(a) In the year the dividends are received in Singapore, the headline corporate tax rate in the foreign country from which the dividends are received is at least 15.0%;

(b) The dividends have been subject to tax in the foreign country from which they are received; and

(c) The Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore subsidiaries.

Interest Income from Indonesia Subsidiaries

Interest received by the Singapore subsidiaries of First REIT on loans extended to their respective Indonesia subsidiaries is exempt from Singapore income tax under section 13(12) of the Income Tax Act. The tax exemption under section 13(12) is granted on the condition that the full amount of remitted interest, less attributable expenses, is distributed by the Singapore subsidiaries to First REIT for onward distribution to its unitholders.

10. Earnings per Unit

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per unit of no par value:

	Group 2007 $'000
Numerator: earnings attributable to Unitholders	
Total return after tax	82,437
Denominator: weighted average number of units	
Basic and diluted	271,649,158
	Cents
Earnings per unit (in cents)	
Basic and diluted	30.35

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per unit of no par value:

Adjusted Notional Basic Earnings per Unit:

	2007 $'000
Numerator: earnings attributable to Unitholders	
Total return after tax adjusted for fair value gain on investment properties	18,516
	Cents
Adjusted Notional Basic Earnings per Unit (in cents)	
Basic and diluted	6.82

The weighted average number of units refers to units in circulation during the period.

Diluted earnings per unit is the same as the basic earnings per unit as there were no dilutive instruments in issue during the financial period.

11. Distribution per Unit

	Group & Trust 2007 Cents
Based on the number of units in issue at the end of the financial year (in cents)	7.09

Distribution Type

Name of Distribution	**Distribution during the period (interim distribution)**	
Distribution Type	**Income/Capital**	
		Cents per unit
Distribution Rate	Taxable Income [(a)]:	0.14
	Tax-Exempt Income [(b)]:	4.58
	Capital [(c)]:	0.61
	Subtotal:	5.33
Name of Distribution	**Distribution declared subsequent to year end (final distribution) (See Note 27)**	
Distribution Type	**Income/Capital**	
		Cents per unit
Distribution Rate	Taxable Income [(a)]:	0.10
	Tax-Exempt Income [(b)]:	1.47
	Capital [(c)]:	0.19
	Subtotal:	1.76
Total distribution per unit		7.09

(a) Individuals and qualifying unitholders, i.e. companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from First REIT, and bodies of persons registered or constituted in Singapore, are entitled to gross distributions and these distributions are exempt or subject to Singapore income tax depending on the individual circumstances of the unitholders.

For distributions made to foreign non-individual unitholders, the Trustee is required to withhold tax at the rate of 10%.

For other types of unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate which is 18% for the distributions made by First REIT out of its taxable income relating to the financial year ended 31 December 2007.

(b) Unitholders are exempt from tax on such distributions.

(c) Such distributions are treated as returns of capital for Singapore income tax purposes. For unitholders who are liable to Singapore income tax on profits from the sale of First REIT's units, the amount of capital distribution will be applied to reduce the cost base of their First REIT units for Singapore income tax purposes.

Current distribution policy:

First REIT's current distribution policy is to distribute 100% of its taxable and tax-exempt income (after deduction of applicable expenses) and capital receipts, for the financial year ended 31 December 2007 and thereafter to distribute at least 90% of its taxable and tax-exempt income (after deduction of applicable expenses) and capital receipts. The capital receipts comprise amounts received by First REIT from redemption of redeemable preference shares in the Singapore subsidiaries.

12. Investment Properties

	Group 2007 $'000	Trust 2007 $'000
At valuation:		
Additions at cost	234,648	51,775
Increase in fair value included in statement of total return under surplus on revaluation of investment properties	90,952	2,125
	325,600	53,900
Rental and service income from investment properties	28,056	2,402
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	237	122

These investment properties include the mechanical and electrical equipment located in the respective properties. The above properties are fully leased out to a related party and four non-related parties.

The fair value of each investment property is stated on the existing use basis to reflect the actual market state and circumstances as of the balance sheet date and not as of either a past or future date. A gain or loss arising from a change in the fair value is recognised in the statement of total return. The fair value is determined periodically on a systematic basis at least once yearly. The fair value was based on a valuation made by Knight Frank/PT Willson Properties Advisindo and Colliers International Consultancy & Valuation (Singapore) Pte Ltd, firms of independent professional valuers, for the Indonesia and Singapore properties respectively on 26 December 2007. The valuation was based on the discounted cash flow and net income capitalisation method.

In determining the fair values, the valuers have used valuation methods that involve certain estimates. The key assumptions for the fair value calculations are as follows:

	Singapore	Indonesia
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties	6.5% to 7.5%	11.0%
2. Growth rates based on escalation rate in the lease agreements	2.0%	See Note 1 below
3. Cash flow forecasts derived from the most recent financial budgets and plans approved by management	10 years	5 years

Note 1: The growth rate for the base rent is based on 1.6% of the preceding 12 months base rent and the growth rate for the variable rent is based on 0.75% to 1.25% of the tenant's gross revenue for the preceding year.

In relying on the valuation reports, the Manager is satisfied that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued.

Certain properties are mortgaged as security for the bank facilities (Note 19).

Other details on the properties are disclosed in the Statements of Portfolio.

The type title of the properties in Indonesia is Hak Guna Bangunan ("HGB"). This title gives the right to construct and own buildings on a plot of land. The right is transferable and may be encumbered. Technically, HGB is a leasehold title with the State retains "ownership". But for practical purposes, there is only little difference from a freehold title. HGB title is granted for an initial period of up to 30 years and is extendable for a subsequent 20-year period and another 30-year period. Upon the expiration of such extensions, new HGB title may be granted on the same land. The cost of extension is determined based on certain formula as stipulated by the National Land Office (Badan Pertanahan Nasional) in Indonesia. The commencement date of each title varies.

Also see Notes 3 and 25.

Notes to Financial Statements
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13. Investment In Subsidiaries

	Trust 2007 $'000
Unquoted equity shares, at cost	145,456
Redeemable preference shares, at cost	35,227
	180,683
Net book value of subsidiaries	262,583

The subsidiaries are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost of investments 2007 $'000	Percentage of equity held by Group 2007 %
GOT Pte Ltd [b] Singapore Investment holding	93,463	100
Henley Investment Pte Ltd [b] Singapore Investment holding	49,978	100
Lovage International Pte Ltd [b] Singapore Investment holding	20,696	100
Primerich Investment Pte Ltd [b] Singapore Investment holding	16,546	100
PT Sentra Dinamika Perkasa [a] Indonesia Owners of Siloam Hospitals Lippo Karawaci	8,779	100
PT Graha Indah Pratama [a] Indonesia Owners of Siloam Hospitals, West Jakarta	10,333	100
PT Tata Prima Indah [a] Indonesia Owners of Siloam Hospitals, Surabaya	8,013	100
PT Karya Sentra Sejahtera [a] Indonesia Owners of Imperial Aryaduta Hotel & Country Club	20,019	100

[a] *Audited by RSM Aryanto Amir Jusuf & Mawar (RSM AAJ Associates), member firm of RSM International of which RSM Chio Lim in Singapore is a member.*

[b] *Audited by RSM Chio Lim in Singapore.*

The redeemable preference shares are redeemable at the option of the subsidiaries.

14. Trade and Other Receivables, Current

	Group 2007 $'000	Trust 2007 $'000
Trade receivables:		
Outside parties (GST)	90	90
Related parties (Note 3)	648	–
	738	90
Other receivables and prepayments:		
Outside parties	70	67
Subsidiaries (Note 3)	–	30
	70	97
	808	187

Current receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

The related party accounts for more than 87% of the total group's trade balances and have since been settled.

15. Other Assets, Current

	Group 2007 $'000	Trust 2007 $'000
Prepayments	360	346
Tax recoverable	499	–
	859	346

16. Cash and Cash Equivalents

	Group 2007 $'000	Trust 2007 $'000
Not restricted in use	13,605	12,694

The rate of interest for the cash on interest earning accounts is between 2.2% and 3.2% per year. These approximate the effective interest rate.

The carrying amounts are assumed to be a reasonable approximation of fair values.

Non-cash transactions:

During the year there were units issued as settlement of the performance fee element of the Manager's management fees (Note 17).

Notes to Financial Statements
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17. Net Assets Attributable to Unitholders

	Group $'000	Trust $'000
Movements:		
Net proceeds from issue of units	183,389	183,389
Total Return for the financial year	82,437	18,188
Distributions	(14,484)	(14,484)
Net assets attributable to unitholders at end of the year	251,342	187,093
Units in issue (Note 18)	272,073,506	272,073,506
	Cents	**Cents**
Net assets attributable to unitholders per unit (in cents)	92.38	68.77
Adjusted notional net assets attributable to unitholders per unit (in cents)	68.88	68.12

At 31 December 2007, 233,714 units are issuable as settlement for 50% of the performance fee element of the Manager's management fees for the quarter ended 31 December 2007.

The issue price for determining the number of units issued and issuable as Manager's management fees is calculated based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for 10 business days immediately preceding the respective last business day of the respective quarter-end.

The transaction costs for the issuance of the units totalled $9,822,000. This included fees of $145,000 paid to the auditors as reporting accountants.

Each unit in First REIT represents an undivided interest in First REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- receive audited financial statements and the annual report of First REIT; and
- participate in the termination of First REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of First REIT less any liabilities, in accordance with their proportionate interests in First REIT.

No Unitholder has a right to require that any assets of First REIT be transferred to him.

Further, Unitholders cannot give directions to the Trustee or the Manager (whether at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- First REIT ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

17. Net Assets Attributable to Unitholders (Cont'd)

The Trust Deed contains provisions that are designed to limit the liability of a unitholder to the amount paid or payable for any unit. The provisions seek to ensure that if the issue price of the units held by a unitholder has been fully paid, no such unitholder , by reason alone of being a unitholder, will be personally liable to indemnify the Trustee or any creditor of First REIT in the event that the liabilities of First REIT exceeds its assets.

Under the Trust Deed, every unit carries the same voting rights.

The objectives when managing capital are: to safeguard the ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders, and to provide an adequate return to unitholders by pricing products and services commensurately with the level of risk. The Manager sets the amount of capital in proportion to risk. The Manager manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Also see Note 11 on distribution policy.

The Group's long-term policy is that net debt should be in the low range of balance sheet equity. This policy aims to ensure that the Group both maintains a good credit rating and lowers its net of tax weighted average cost of capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, and retained earnings).

	Group 2007 $'000	Trust 2007 $'000
Net debt:		
All current and non-current borrowings	50,633	50,633
Less cash and cash equivalents	(13,605)	(12,694)
Net debt	37,028	37,939
Net capital:		
Issued equity	181,722	181,722
Retained earnings	69,620	5,371
Net capital	251,342	187,093
Debt-to-adjusted capital ratio	14.73%	20.28%

The only externally imposed capital requirement is that for the Group to maintain its listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") it has to have share capital of at least a free float of at least 10% of the units. Management receives a report from the registrars from time to time on substantial share interests showing the non-free float and it demonstrated continuing compliance with the SGX-ST 10% limit throughout the year.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the total borrowings and deferred payments of the Group should not exceed 35% of the Group's deposited property. The aggregate leverage of the Group may exceed 35% of the Group's deposited property (up to a maximum of 60%) only if the credit rating of the Group is obtained and disclosed to the public. The Group met the aggregate leverage ratio as at the end of the financial year.

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18. Units in Issue

	Group & Trust 2007
Units at beginning of the financial year	–
Units created in the IPO exercise	271,400,000
Manager's Management Fees Settled in Units	673,506
Units at end of the financial year	272,073,506

19. Other Financial Liabilities, Non-Current

	Group 2007 $'000	Trust 2007 $'000
Bank loans (secured)	50,633	50,633
	50,633	50,633
Fair value	50,808	50,808
Percentage of borrowings to net asset value	20.21%	27.16%

The above bank loans are repayable after two years from the date of drawdown. The earliest maturity date will be in April 2009.

All the amounts are at floating interest rates.

The range of floating interest rates per annum for the above borrowings is from 3.5% to 4.5% per year.

The fair value of the bank loan was estimated by discounting the future cash flows payable under the terms of the loan using the year-end market interest rate applicable to loans of similar terms and conditions.

The bank loan agreement provides among other matters for the following:-

1) First legal mortgage over the Indonesian properties, namely:
   a) Siloam Hospitals Lippo Karawaci
   b) Siloam Hospitals West Jakarta
   c) Siloam Hospitals Surabaya
   d) Imperial Aryaduta Hotel & Country Club

2) First legal mortgage over the Singapore properties, namely:
   a) Pacific Healthcare Nursing Home, Bukit Merah
   b) Pacific Healthcare Nursing Home, Senja
   c) Adam Road Hospital

3) Assignment of all of the Group's rights, titles, interest and benefits under any leases, tenancies, sales proceeds and cash flow in respect of the Indonesian properties and the related Singapore properties.

19. Other Financial Liabilities, Non-Current (Cont'd)

4) Assignment of all of the Group's rights, titles and interests under the insurance policies in respect of the Indonesian properties and the related Singapore properties, with the Bank named as "loss payee".

5) A debenture containing first fixed and floating charges over all assets and undertakings of the Trust's Singapore subsidiaries.

6) Equitable charge of all of the Trust's shares in the Singapore subsidiaries.

7) Charge of all of the Singapore subsidiaries' shares in the Indonesia subsidiaries.

8) A debenture by the Group covering first fixed and floating charges over all assets and undertakings in respect of the Singapore properties.

There are undrawn borrowing facilities of approximately $39,000,000 which may be used only for future acquisition of properties.

20. Trade and Other Payables, Current

	Group 2007 $'000	Trust 2007 $'000
Trade payables:		
Outside parties and accrued liabilities	1,672	634
Related parties (Note 3)	450	450
	2,122	1,084
Other payables:		
Subsidiary (Note 3)	–	6,009
Related companies (Note 3)	52	–
Security deposit	2,484	2,484
	2,536	8,493
Total trade and other payables	4,658	9,577

The average credit period taken to settle non-related trade payables is about 60 days. The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

21. Other Liabilities, Current

	Group 2007 $'000	Trust 2007 $'000
Deferred income	5,117	125

This is for the rental received in advance from the respective tenants.

22. Segment Reporting

No business segmental result has been prepared as all the investment properties are mainly used for healthcare and/or healthcare-related purposes. The main segment would be by geographical area.

The geographical segment represents the Group's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risks and returns that are different from those components which operate in other economic environments (locations).

	Indonesia 2007 $'000	Singapore 2007 $'000	Total 2007 $'000
Assets and liabilities			
Segment assets including properties	273,722	67,150	340,872
Total assets			340,872
Segment liabilities	34,763	54,767	89,530
Total liabilities			89,530
Property income and expenses			
Segment gross revenue	25,662	2,628	28,290
Total gross revenue			28,290
Segment net property income	25,581	2,472	28,053
Total net property income			28,053
Manager's management fees			(2,664)
Trustee fees			(120)
Finance costs			(1,610)
Other trust expenses			(486)
Net income			23,173
Surplus on revaluation of investment properties	88,827	2,125	90,952
Income tax	(31,306)	(382)	(31,688)
Total return for the financial year after tax			82,437

23. Financial Ratios

	Group 2007	Trust 2007
Expenses to average net assets [1]		
– expense ratio excluding performance-related fee	0.76%	1.00%
– expense ratio including performance-related fee	1.33%	1.75%
Portfolio turnover rate [2]	–	–

[1] *The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group and Trust level, excluding interest expenses, foreign exchange losses, tax deducted at source and costs associated with the purchase of investments.*

[2] *The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group and the Trust expressed as a percentage of daily average net asset value. All the investment properties were purchased during the year.*

In addition, the Manager has given an undertaking to the SGX-ST that for so long as it remains the Manager of First REIT and the Master Tenant in Indonesia and/or any of its related corporations remains a controlling shareholder of the Manager, it will disclose the Rent/EBITDA ratio of the Indonesia properties in its annual report issued to unitholders. The EBITDA is calculated before any rental expense. The Rent/EBITDA ratio for the Indonesia properties for the year ended 31 December 2007 is approximately 59.24%.

24. Financial Instruments: Information on Financial Risks

Financial risk management

The Group has certain strategies for the management of financial risks and action to be taken in order to manage the financial risks. However these are not documented in formal written document. The following guidelines are followed:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

3. All financial risk management activities are carried out and monitored by senior management staff.

4. All financial risk management activities are carried out following the good market practices.

The main market risks subject to exposure are interest rates and foreign exchange. There is also exposure to credit risk and liquidity risk. Credit risk on cash balances and other financial instruments is limited because the counter-parties are banks with high credit ratings. The chief financial officer who monitors the procedures reports to the board.

Carrying amount of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the year by FRS 39 categories:

24. Financial Instruments: Information on Financial Risks (Cont'd)

	Group 2007 $'000	Trust 2007 $'000
Financial assets:		
Cash and cash equivalents	13,605	12,694
Loans and receivables	808	187
At end of year	14,413	12,881
Financial liabilities:		
Measured at amortised cost:		
– Borrowings	50,633	50,633
– Trade and other payables	4,658	9,577
At end of year	55,291	60,210

Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and other financial instruments is limited because the counter-parties are banks with high credit ratings. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There was minimal risk at the end of the year.

Liquidity risk

The liquidity risk is managed on the basis of expected maturity dates.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Borrowings $'000	Trade and other payables $'000	Total $'000
Group			
Less than 1 year	–	4,658	4,658
1 – 3 years	50,633	–	50,633
At end of year	50,633	4,658	55,291
Trust			
Less than 1 year	–	9,577	9,577
1 – 3 years	50,633	–	50,633
At end of year	50,633	9,577	60,210

It is expected that all the liabilities will be paid at their contractual maturity. The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations.

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for budgeted operations. A monthly schedule showing the maturity of financial liabilities and unused borrowing facilities is provided to the management to assist them in monitoring the liquidity risk.

The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

24. Financial Instruments: Information on Financial Risks (Cont'd)

Interest rate risk

The interest rate risk exposure mainly concerns financial liabilities and financial assets. These financial instruments are both fixed rate and floating rate. The following table analyses the breakdown of the financial assets and liabilities (excluding derivatives) by type of interest rate:

	Group 2007 $'000	Trust 2007 $'000
Financial assets:		
Fixed rate	13,605	12,694
Non-interest bearing	808	187
At end of year	14,413	12,881

	Group 2007 $'000	Trust 2007 $'000
Financial liabilities:		
Floating rate	50,633	50,633
Non-interest bearing	4,658	9,577
At end of year	55,291	60,210

Sensitivity analysis: The effect on profit before tax is not significant.

Foreign currency risks

There is exposure to foreign currency risk as part of its normal business. However during the year all the contracts were denominated in Singapore dollars.

25. Operating Lease Income Commitments

At the balance sheet date the total of future minimum lease receivables under non-cancellable operating leases are as follows:

	Group 2007 $'000	Trust 2007 $'000
Not later than one year	29,992	4,058
Later than one year and not later than five years	120,795	17,058
More than five years	251,871	18,464
Rental income for the year	28,056	2,402

The Group and Trust have entered into commercial property leases for healthcare and/or healthcare-related buildings. These non-cancellable leases have remaining non-cancellable lease terms of between 10 to 15 years.

25. Operating Lease Income Commitments (Cont'd)

Generally, the lessee provide that they pay rent on a quarterly basis in advance, which rent shall comprise:(a) an annual base rent for the first year of each lease and (b) a variable rent. The base rent is subject to increase every year thereafter at a rate equal to the agreed number of times the percentage increase of the consumer price index of Singapore for the preceding calendar year, subject to a floor of zero % and a cap of an agreed percentage. The variable rent is calculated based on a percentage of the growth of the lessee gross revenue in the preceding calendar year. No variable rent is included in the above amounts.

One of the tenants in Singapore also provided a bank guarantee in lieu of the security deposits of $1,248,000 for rental income from one of the Singapore properties. Also see Note 3.

26. Capital Commitments

Estimated amounts committed at the balance sheet date for future capital expenditure but not recognised in the financial statements are as follows:

	Group & Trust 2007 $'000
Commitments to purchase investment property	6,000

In addition to the above, the Group has announced the following Memoranda of Understanding (MOU) and Conditional Agreement:

(a) On 17 August 2007, the Manager entered into a MOU with Nantong Rich Hospital Company Limited ("Nantong") in China to invest in the property assets of a hospital with more than 500 beds in Wuxi, Jiangsu Province of China by way of subscription of redeemable convertible cumulative preference shares in a special purpose vehicle.

(b) On 12 September 2007, the Manager entered into a conditional agreement with Mr Tang Hong Ming ("Mr Tang") and Mr Yang Xin ("Mr Yang") to invest in the property assets of Shanghai Woman and Child Healthcare Hospital located in the Hongkou District of Shanghai which currently operates 200 beds and the proposed Hengshan Urology Hospital scheduled to commence operation by the end of 2008. The investment will be made by way of subscription of redeemable convertible cumulative preference shares in a special purpose vehicle which shall hold their 49% equity interest in Shanghai Weiyi Hospital Investment and Management Co Ltd which owns the property assets.

(c) On 12 October 2007, the Manager entered into a MOU with Dr David Lin who will procure the acquisition by First REIT of the property assets of Wuxi New District Phoenix Hospital in Jiangsu, China through the acquisition of up to 100% of the share capital of a property company to be incorporated in China to own the real property assets. First REIT will effect the acquisition through a China based special purpose vehicle, a wholly owned subsidiary of an offshore special purpose vehicle, both of which will be incorporated by First REIT.

(d) On 12 November 2007, the Manager entered into a MOU with Nantong to invest in the property assets of Nantong Rich Hospital ("Nantong Rich") located in Nantong, Jiangsu Province of China. The investment will be made by way of subscription of redeemable convertible cumulative preference shares in a special purpose vehicle to be incorporated offshore to hold the property of Nantong Rich.

The parties have yet to finalise the terms and conditions of these property investments.

27. Events After the Balance Sheet

On 22 January 2008 a final distribution of 1.76 cents per unit was declared in respect of the quarter ended 31 December 2007.

On 28 January 2008, 233,714 new units were issued at the issue price of 76.51 cents per unit as payment to the Manager for management fee for the quarter ended 31 December 2007. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.

28. Changes And Adoption Of Financial Reporting Standards

For the year ended 31 December 2007 the following new or revised SFRS were adopted.

FRS No.	Title
FRS 1	Presentation of Financial Statements – Amendments relating to capital disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
FRS 107	Financial Instruments: Disclosures – Implementation Guidance
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
INT FRS 108	Scope of FRS 102*
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	FRS 102 – Group and Treasury Share Transactions*

* *Not relevant to the entity.*

29. Future Changes In Accounting Standards

The following new or revised SFRS that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the financial statements.

FRS No.	Title	Effective date for periods beginning on or after
FRS 23	Borrowing Costs	1.1.2009
FRS 108	Operating Segments	1.1.2009
INT FRS 111	FRS102 – Group and Treasury Share Transactions*	1.3.2007
INT FRS 112	Service Concessions Arrangements*	1.1.2008

* *Not relevant to the entity.*

30. Comparative Figures

The financial statements cover the financial year since the Trust was constituted on 19 October 2006 to 31 December 2007. This being the first set of financial statements, there are no comparative figures.

Statistics of Unitholdings

As At 28 February 2008

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	2	0.07	650	0.00
1,000 – 10,000	2,282	73.49	8,607,899	3.16
10,001 – 1,000,000	806	25.96	48,174,671	17.69
1,000,001 AND ABOVE	15	0.48	215,524,000	79.15
Total	**3,105**	**100.00**	**272,307,220**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	OCBC Securities Private Ltd	81,282,000	29.85
2	Amfraser Securities Pte. Ltd.	35,788,500	13.14
3	HSBC (Singapore) Nominees Pte Ltd	26,065,000	9.57
4	Citibank Nominees Singapore Pte Ltd	14,991,500	5.51
5	Raffles Nominees Pte Ltd	12,644,000	4.64
6	UOB Kay Hian Pte Ltd	8,370,000	3.07
7	DBS Nominees Pte Ltd	8,288,000	3.04
8	United Overseas Bank Nominees Pte Ltd	6,665,000	2.45
9	DBS Vickers Securities (S) Pte Ltd	4,284,000	1.57
10	Prima Portfolio Pte Ltd	3,936,000	1.45
11	ING Nominees (Singapore) Pte Ltd	3,763,000	1.38
12	DBSN Services Pte Ltd	3,605,000	1.32
13	Ng Ban Hock	3,500,000	1.29
14	Phillip Securities Pte Ltd	1,224,000	0.45
15	Atma Singh S/O Nand Singh	1,118,000	0.41
16	BMT A/c Estate Of Mse Angullia (Wakaff) Clause 7 Trust	1,000,000	0.37
17	The Straits Times Press Co-operative Thrift & Loan Society Ltd	1,000,000	0.37
18	Bowsprit Capital Corporation Limited	907,220	0.33
19	OCBC Nominees Singapore Pte Ltd	838,000	0.31
20	Ong Fook Thim	800,000	0.29
	Total	**220,069,220**	**80.81**

Statistics of Unitholdings

As At 28 February 2008

Substantial Unitholders

		No of Units Direct Interest	No of Units Deemed Interest
1	Bridgewater International Ltd.	55,000,000	
2	PT. Lippo Karawaci Tbk [1]		55,000,000
3	Golden Rainbow International Limited	25,000,000	
4	Raiffeisin Zentralbank Osterreich AG [2]		25,000,000

Notes:

1. *PT. Lippo Karawaci Tbk is deemed to be interested in 55,000,000 Units held by its indirect wholly owned subsidiary, Bridgewater International Ltd.*
2. *Raiffeisin Zentralbank Osterreich AG is deemed to be interested in 25,000,000 Units held by its wholly owned subsidiary, Golden Rainbow International Limited.*

Manager's Directors' Unitholdings

As shown in Register of Directors' Unitholdings as at 28 February 2008

		No of Units Direct Interest	No of Units Deemed Interest
1	Dr Ronnie Tan Keh Poo @ Tan Kay Poo	137,000	–

Free Float

Based on the information made available to the Manager as at 28 February 2008, approximately 70.6% of the Units in First REIT is held in public hands. Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

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