FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

THE PULSE OF ASIA

ANNUAL REPORT 2011

THE PULSE OF ASIA

Having developed a strong portfolio of quality assets in Indonesia and Singapore, First REIT has scored another first through its acquisition of one of the largest rehabilitative and nursing facilities in Yeosu City, South Korea.

Its sponsor, PT Lippo Karawaci Tbk's ("Lippo Karawaci") healthcare unit – Siloam Hospitals Group has a sterling track record in operating private hospitals in Indonesia. Lippo Karawaci is very aggressive in growing its healthcare portfolio, and it plans to have 25 hospitals over the next five years.

First REIT continues to work towards expanding its portfolio size to S$1 billion in the next two to three years, as it seeks other yield-accretive assets in Singapore and Indonesia, as well as the rest of the Asia Pacific region.

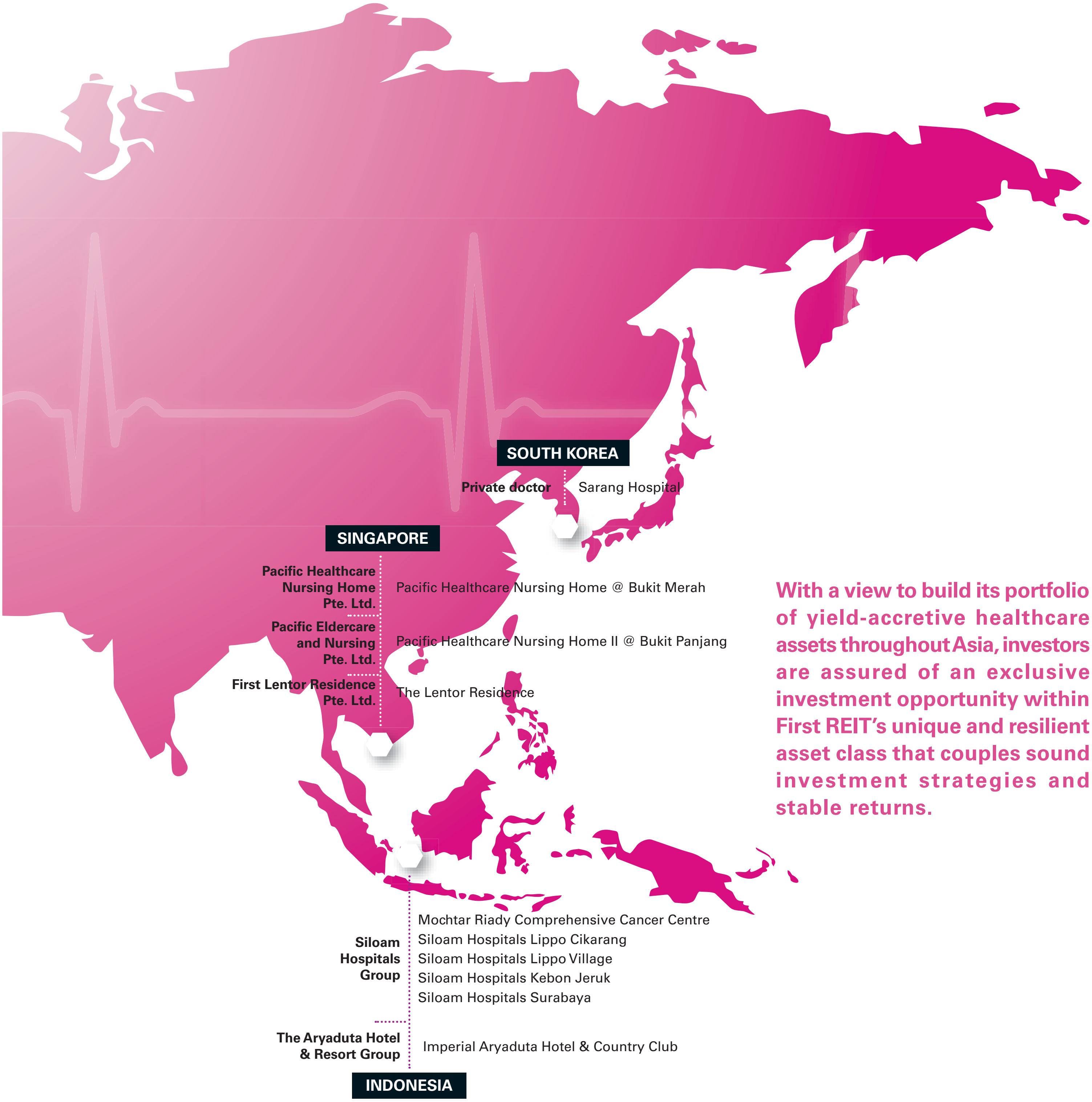
CONTENTS

CORPORATE PROFILE

First REIT is Singapore's first healthcare real estate investment trust and is mandated to invest in a diverse portfolio of yield-accretive healthcare and healthcare-related real-estate assets in Asia.

Managed by Bowsprit Capital Corporation Limited, the Trust currently oversees a portfolio consisting of six properties located in Indonesia, three properties in Singapore and one in South Korea. Collectively, these 10 properties have an asset value of over S$600 million.

The Trust's healthcare properties in Indonesia are operated by Siloam Hospitals Group, Indonesia's most progressive and innovative healthcare provider and a wholly-owned subsidiary of Lippo Karawaci. In 2011, First REIT has further strengthened its Asian footprint with the addition of Sarang Hospital in Yeosu City, South Korea.



With a view to build its portfolio of yield-accretive healthcare assets throughout Asia, investors are assured of an exclusive investment opportunity within First REIT's unique and resilient asset class that couples sound investment strategies and stable returns.

AT A GLANCE

HIGH QUALITY OF UNDERLYING PROPERTIES

- Indonesia hospitals each have "Centre of Excellence", and are strategically located with large catchment areas of potential patients
- South Korea's Sarang Hospital is one of the largest rehabilitative and nursing facilities centrally-located in beach resort city Yeosu, which will play host to the World Expo in 2012

STABLE AND STRONG DISTRIBUTION MODEL

- Stable cash distributions, remains committed to distributing 100% of tax-exempt income

RESILIENT HEALTHCARE-RELATED REAL ESTATE INVESTMENT TRUST IN SINGAPORE

- Mandated to invest in quality, income-producing healthcare and/or healthcare-related real estate assets in Asia

LONG-TERM SINGAPORE DOLLAR MASTER LEASE AGREEMENTS FOR INDONESIA AND SINGAPORE ASSETS, WITH BUILT-IN RENTAL ESCALATION; SOUTH KOREA PROPERTY RENTAL INCOME DENOMINATED IN USD

- Yearly rental increment for Indonesia properties; base (2x percentage increase of Singapore CPI, capped at 2%) plus variable components (function of turnover growth)
- Singapore and South Korea properties comprise fixed base rental and annual increment of 2%

BLUE-CHIP SPONSOR WITH EXCELLENT TRACK RECORD IN REAL ESTATE AND STRONG COMMITMENT TO THE HEALTHCARE BUSINESS

- Able to leverage on Lippo Karawaci's healthcare expansion plans

WELL-DEFINED ACQUISITION STRATEGY

- Distinct growth strategy by acquiring yield-accretive properties in the healthcare and healthcare-related industry which fulfills its investment criteria

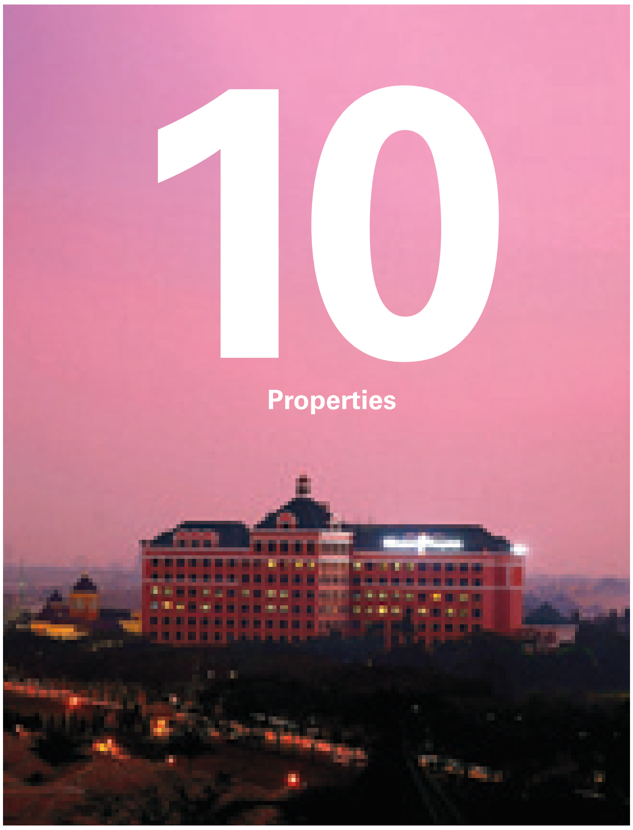
DIVERSE PORTFOLIO OF 10 HEALTHCARE-RELATED PROPERTIES ACROSS ASIA WITH COLLECTIVE ASSETS-UNDER-MANAGEMENT OF S$618.0 MILLION

- Indonesia: 5 hospitals and 1 hotel and country club
- Singapore: 3 nursing homes
- South Korea: 1 hospital

ASSET HIGHLIGHTS

S$618.0m
Value of Assets-Under-Management

136,433 sqm
Total GFA of Properties



10
Properties

1,943
Total Number of Beds / Saleable Rooms

100%
Total Committed Occupancy

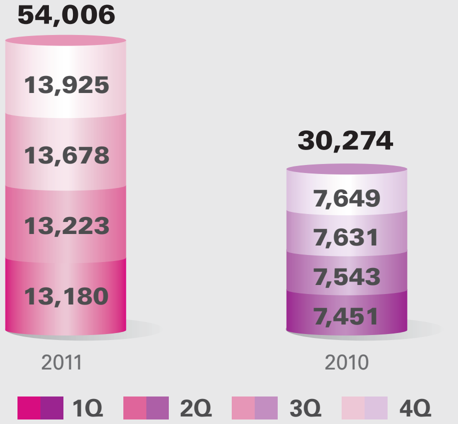
11.38 years
Weighted Average Lease Expiry (WALE)

13.96 years
Weighted Average Age of Properties (WAAP)

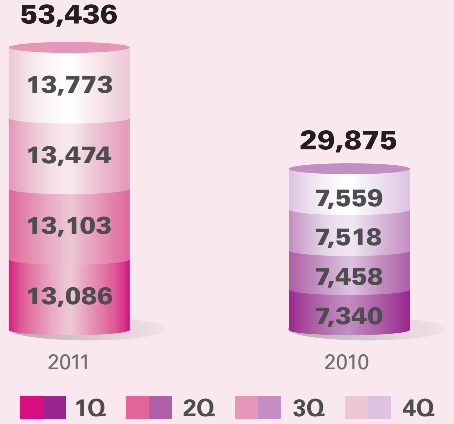
2017
Nearest Date of Rental Renewals

FINANCIAL HIGHLIGHTS

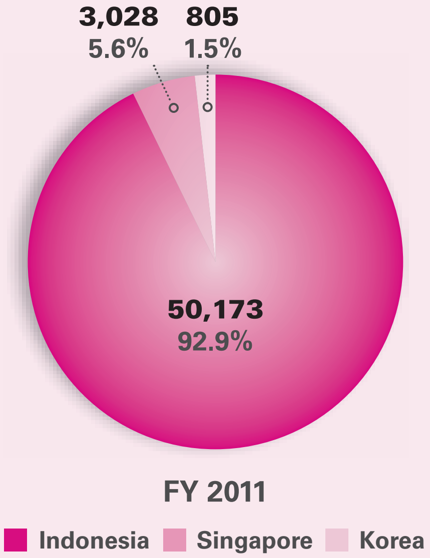
GROSS REVENUE
(S$' 000)

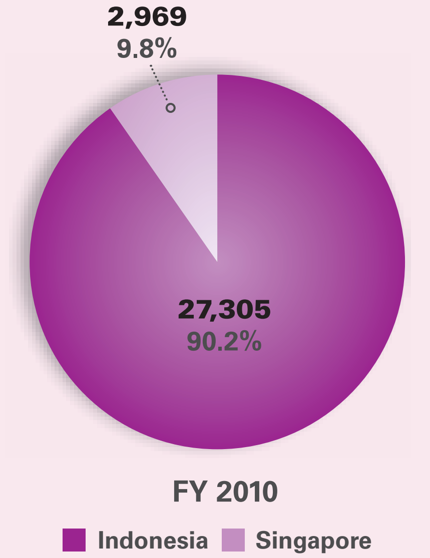


NET PROPERTY INCOME
(S$' 000)

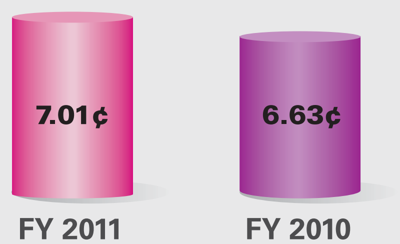


RENTAL INCOME
Breakdown by Geography
(S$' 000)





DISTRIBUTION PER UNIT
(S$' cents)



Balance Sheet

In S$'000	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)
Total Assets	660,616	654,571
Total Liabilities	155,317	168,699
Unitholders' Funds	505,299	485,872
NAV Per Unit	80.50¢	78.08¢

Number of Units in Issue: 627,680,294
Market capitalization: S$477.0 million (as at 31 December 2011)

Gearing

	As at 31 Dec 2011	As at 31 Dec 2010
Total Debt*	S$98.7 million	S$57.7 million
Interest Cover	12.3 times	11.6 times
Debt-to-Property	16.0%	9.4%

* Before transaction costs

Earnings Per Unit

	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)
Earnings Per Unit	8.15 cents	18.04 cents
Number of Units in Issue	627,680,294	622,195,888
Weighted Average Number of Units	625,223,897	385,200,545

Unit Price Performance

	2011
IPO Offering Price (Dec 2006)	S$0.710
As at last trading day of the year	S$0.760
Highest	S$0.840
Lowest	S$0.710
Trading Volume (million units)	181.617

Rental Income

Tenant	%
PT Lippo Karawaci Tbk	85.90
PT East Jakarta Medika (Subsidiary of PT Lippo Karawaci Tbk)	7.00
First Lentor Residence Pte. Ltd.	1.99
Pacific Healthcare Nursing Home Pte. Ltd.	1.84
Pacific Eldercare and Nursing Pte. Ltd.	1.78
Park Ki Ju	1.49

JOINT CHAIRMAN & CEO MESSAGE

We are currently conducting feasibility studies on a number of properties belonging to our sponsor Lippo Karawaci which owns the Siloam Hospitals Group, the largest and most prominent hospital group in Indonesia. Underpinned by the growing demand for quality healthcare services, Lippo Karawaci has announced plans to quadruple its hospital portfolio to twenty five hospitals within the next five years.

Dear Unitholders,

We are pleased to report that First REIT ended the year well on a strong note, more than doubling its distributable income to S$43.9 million and benefitting greatly from the maiden contributions from three new hospital properties – the Mochtar Riady Comprehensive Cancer Centre and Siloam Hospitals Lippo Cikarang in Indonesia and the Sarang Hospital in South Korea which is known for its rehabilitative services.

With the three new assets, First REIT now manages ten healthcare properties across Indonesia, Singapore and South Korea, raising the value of our total assets-under-management to S$618.0 million as at 31 December 2011. First REIT's portfolio, in gross floor area terms, has increased to 136,433 square metres, while the total number of hospital beds and saleable rooms has increased to 1,943. Despite the volatile economic climate, regionally and globally, our business model and growth strategy have held out well, providing consistent growth across all our healthcare properties and producing the pleasing results for 2011.

Because Indonesia presents bountiful opportunities, we expect that Indonesia will remain the key focus of our growth plans in the years ahead. With a fast growing middle class segment, Indonesia will continue to have a burgeoning domestic consumer market needed to fuel the momentum of growth and push the increased demand for quality healthcare services. In recent months, Fitch Ratings has raised Indonesia's investment grade status up one notch to BBB-minus, its first upgrade since 1997. Similarly, Moody's has also raised Indonesia's foreign and local-currency ratings up to Ba1, citing the stable economic outlook. These are clear and visible indicators of Indonesia returning to positive investment status.

We are currently conducting feasibility studies on a number of properties belonging to our sponsor Lippo Karawaci which owns the Siloam Hospitals Group, the largest and most prominent hospital group in Indonesia. Underpinned by the growing demand for quality healthcare services, Lippo Karawaci has announced plans to quadruple its hospital portfolio to twenty five hospitals within the next five years. The buoyant economy, with projected growth of over 6% for 2012 and per capita income surpassing US$3,000 per annum, is driving a consumption-led growth in the country, which is also reflected in the increased demand for quality hospital services in Indonesia.

With the apparent and persistent lack of quality tertiary healthcare facilities across the country, there is a continuing need to upgrade and expand Indonesia's healthcare infrastructure. This presents strong opportunities for the Siloam Hospitals Group. This will also mean that First REIT, which has a right-of-first-refusal on our sponsor, will have a steady and strong pipeline of healthcare assets available for acquisition.

Closer to home, Singapore's ageing population coupled with the shortage of beds in hospitals and nursing homes will continue to spell opportunities for First REIT. With the Singapore government's commitment to improve palliative, tertiary and long-term care, nursing homes here will continue to want to add on more capacity. As part of our asset enhancement strategy for our properties, we are adding a new 5-storey extension block at The Lentor Residence, which is slated for completion in the second half of 2012.

In March this year, in line with our "best value to unitholders" approach to managing our assets under which we seek to evaluate the various "best" asset options for an asset in the prevailing market, we divested our Adam Road property at a good profit for S$33.0 million. The sale proceeds would provide First REIT with added financial flexibility in our pursuit of acquisition opportunities.

JOINT CHAIRMAN & CEO MESSAGE *(cont'd)*

Even after its recent acquisitions, the Trust enjoys a relatively low debt-to-property valuation ratio of 16.0%, which is significantly lower than the regulatory limit of 35.0%. This indicates that First REIT will have ample headroom to pursue further acquisitions to add to our healthcare property portfolio when opportunities arise.

Asia's healthcare industry continues to demonstrate strong fundamentals and growth prospects – thanks to key drivers such as demographic changes, population growth, global ageing trend, changes in disease patterns, emergence of lifestyle diseases and higher prevalence of chronic diseases and rising consumerism. All these in turn are expected to drive increased demand for better quality care by a more affluent population.

These growth drivers point to one conclusion - the need for more healthcare real estate such as hospitals, medical centres and nursing homes – all of which are expected to increase on a local and regional scale. Despite the current economic uncertainties globally, especially in Europe, we will continue with our quest for more yield-accretive, quality assets in Asia to further expand our asset base and to achieve a portfolio size of at least S$1 billion in the short to medium term. Of course, any acquisition decision is subject to timing, availability and terms of funding as well as our commitment to deliver more value to our unitholders.

Financial Highlights

In the year just ended, First REIT achieved a 78.4% rise in gross revenue to S$54.0 million, whilst net property income increased 78.9% to S$53.4 million. Distribution per unit ("DPU") for FY2011 rose from 6.63 cents to 7.01 cents, which included distribution coming out of a portion of the total gains on divestment of the Adam Road property. We are pleased that based on First REIT's closing price of S$0.765 as at 25 January 2012, its distribution yield stood at a very strong 9.2%.

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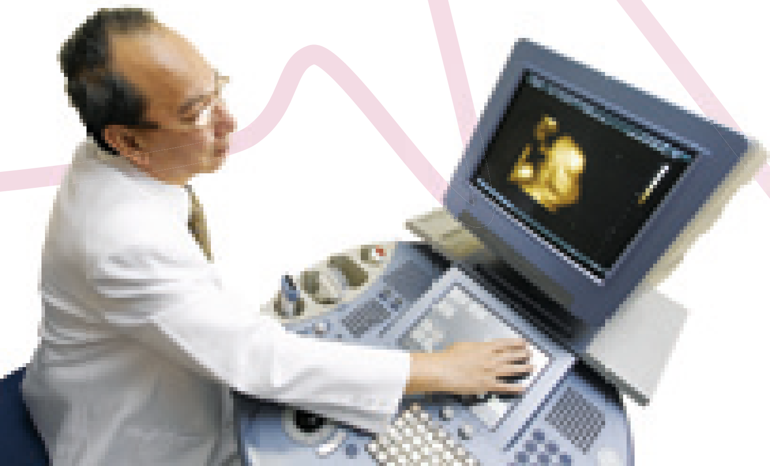
Acknowledgement

On behalf of the Board of Directors, we would like to thank all our staff and business associates for their steadfast support. We would especially like to extend our special gratitude to our valued unitholders whose continuing belief and support in our growth plans have given us much passion and joy in our work. We look forward to seeing you at our upcoming Annual General Meeting.

Albert Saychuan Cheok
Chairman

Dr Ronnie Tan Keh Poo
CEO

Bowsprit Capital Corporation Limited
As Manager of First REIT



CORPORATE INFORMATION

Manager
Bowsprit Capital Corporation Limited

Registered Office
50 Collyer Quay
#06-01
OUE Bayfront
Singapore 049321
Tel: (65) 6435 0168
Fax: (65) 6435 0167

Trustee
HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320
Tel: (65) 6534 1900
Fax: (65) 6533 1700

Website Address
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Unit Registrar and Unit Transfer Office
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Independent Auditors
RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Audit Partner in Charge:
Mr Kaka Singh
Appointed from financial year 2007

RSM Aryonto Amir Jusuf & Mawar (RSM AAJ Associates)
Plaza ABDA 10th Floor
Jl. Jend. Sudirman
Kav. 59, Jakarta 12190, Indonesia

Shinhan Accounting Corporation (Member of RSM International)
6th Fl., Il-Heung Bldg. 126-1
ChungMuRo 4ka,
Chung-Ku, Seoul, South Korea

Independent Singapore Tax Adviser
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Independent Indonesia Accounting and Tax Adviser
PT Artha Jasakonsulindo
Samudara Indonesia Building
3rd Floor Jl. Letjen. S. Parman
Kav. 35, Jakarta 11480, Indonesia

Independent South Korea Accounting and Tax Adviser
Shinhan Accounting Corporation (Member of RSM International)
6th Fl., Il-Heung Bldg. 126-1
ChungMuRo 4ka,
Chung-Ku, Seoul, South Korea

Independent Valuers
KJPP Willson & Rekan in association with Knight Frank
Wisma Nugra Santana
#17-08, Jl. Jend. Sudirman
Kav. 7-8, Jakarta 10220, Indonesia

KJPP Rengganis, Hamid & Rekan in strategic alliance with CB Richard Ellis (Pte) Ltd
Menara Kuningan
8th Floor, Jl. HR. Rasuna said
Blok X-7
Kav. 5, Jakarta 12940, Indonesia

Colliers International Consultancy & Valuation (Singapore) Pte Ltd
1 Raffles Place, #45-00
One Raffles Place
Singapore 048616

Cushman & Wakefield (Korea) Ltd
5/F Korea Computer Building
21 Sogong-dong, Jung-gu
Seoul, 100 – 070, Korea

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

Mr Goh Tiam Lock
Independent Director

Mr Mag Rainer Silhavy
Non-Executive Director

Mr Douglas Chew
Alternate Director to
Mr Mag Rainer Silhavy
(Mr Chew ceased as Alternate Director on 29 February 2012)

Mr Markus Parmadi
Non-Executive Director

Dr Ronnie Tan Keh Poo
Chief Executive Officer & Director

Company Secretary of the Manager
Ms Elizabeth Krishnan

Audit Committee
Mr Albert Saychuan Cheok (Chairman)
Mr Goh Tiam Lock
Mr Markus Parmadi

BOARD OF DIRECTORS

MR ALBERT SAYCHUAN CHEOK

Independent Director and Chairman

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.

Mr Cheok was the Non-Executive Director of Eoncap Islamic Bank Berhad and MIMB Investment Berhad from June 2009 to June 2011. He was also Independent Non-Executive Chairman of Creative Master Bermuda Limited from May 2011 to October 2011.

Mr Cheok is the Independent Non-Executive Chairman of LMIRT Management Ltd, the manager of Lippo Malls Indonesia Retail Trust and Non-Executive Director of Amplefield Limited. He was appointed a Director of IPP Financial Services Holdings Ltd on May 2011.

Mr Cheok is also a member of the Board of Governors of the Malaysian Institute of Corporate Governance.

He is currently 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.

MR GOH TIAM LOCK

Independent Director

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.

In 1976, he became a partner in MH Goh, Tan & Partners, the legacy firm of Colliers International, and retired from the firm in 1991. He is currently the Managing Director of Lock Property Consultants Pte. Ltd., a position he has held since setting up the practice in 1993, and advises clients on real estate development and management. He was actively involved in civil and community work, holding positions such as 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 was also a Master Mediator at the Marine Parade Community Mediation Centre. He is now a Patron of the Marine Parade Community Club Management Committee.

Mr Goh was appointed Non-Executive Director of LMIRT Management Ltd, the manager of Lippo Malls Indonesia Retail Trust in September 2011.

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 MARKUS PARMADI

Non-Executive Director

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 a 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 was a Commissioner of PT Multi Media Interaktif, PT First Media Tbk and Lembaga Penjamin Simpanan from 2005 to 2008. He was also a Commissioner of PT Media Interaksi Utama from January 2007 to January 2011.

Mr Parmadi is currently the President Commissioner of PT Star Pacific Tbk.

MR MAG RAINER SILHAVY

Non-Executive Director

Mr Mag Rainer Silhavy is a Non-Executive Director of the Manager. Mr Silhavy graduated from the University of World Trade Vienna, Austria in 1984 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-Austria in Vienna, 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-Austria'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 Chairman and Chief Executive Officer of the Asia-Pacific Regional office of Raiffeisen Bank International AG (previously known as RZB-Austria) in Singapore, where he is involved in the supervisory management of the Singapore Branch. RZB owns 100% of CP Inlandsimmobilien-Holding GmbH, which in turn owns 100% of Golden Decade International Limited.

Mr Silhavy was appointed as a Non-Executive Director of Overseas Union Enterprise Limited on 9 March 2010.

BOARD OF DIRECTORS *(cont'd)*

MR DOUGLAS CHEW
Alternate Director to Mr Mag Rainer Silhavy

Mr Douglas Chew currently serves as the Regional Manager for the Asia-Pacific Regional Office of Raiffeisen Bank International AG with responsibilities for risk management, financial controlling, compliance, audit and human resources. Mr Chew holds a Degree in Bachelor of Business Administration from the National University of Singapore.

Mr Chew was appointed to the board of Bowsprit Capital Corporation Limited (Manager of First REIT) as an Alternate Director in October 2009. He is also currently a Board Member of the Lippo Malls Indonesia Retail Trust since August 2011 and the Export and Industry Bank in the Philippines since 2006.

With extensive experience in general management, business strategies and risk management stretching back as far as 1977, he kick started his career in 1977 as a Credit Officer in ABN Bank, where he looked into credit analysis and evaluation. Thereafter, Mr Chew was an Account Manager at the Bank of Montreal from 1979 to 1984, where he was responsible for the development and maintenance of a sound and profitable loan portfolio. From 1984 onwards, Mr Chew served as the Manager of the Michigan-based Chemical Bank in Singapore where he was responsible for business development of corporate, government and trade businesses.

In 1988, he was appointed as the Assistant General Manager of Banque Worms where he oversaw the business strategy and management of risks in the Singapore branch. He served as the General Manager of RZB-Austria Singapore Branch and was involved in the bank's general management from 1997 to 2005. Mr Chew was the Executive Vice-President (April 2006 to November 2008) of the Export & Industry Bank in the Philippines.

Mr Chew ceased to be an Alternate Director to Mr Mag Rainer Silhavy on 29 February 2012.

DR RONNIE TAN KEH POO
Director and Chief Executive Officer

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 appointed an Executive Director of Auric Pacific Group Limited responsible for the areas of Business Development (non-food related) as well as Property and Strategic Investments on 1 October 2004, and relinquished as Executive Director on 31 July 2009.

Dr Ronnie Tan currently serves as Non-Executive Director and Audit Committee Member of Auric Pacific Group Limited. Dr Tan is also the Non-Executive Director of Food Junction Holdings Limited.

KEY MANAGEMENT

DR RONNIE TAN KEH POO
Director and Chief Executive Officer

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Dr Ronnie Tan currently serves as Non-Executive Director and Audit Committee Member of Auric Pacific Group Limited. Dr Tan is also the Non-Executive Director of Food Junction Holdings Limited.

MR TAN KOK MIAN, VICTOR
Chief Financial Officer

Mr Tan Kok Mian, Victor joined Bowsprit in April 2008 as Senior Finance Manager, and was responsible for its financial operations. He was appointed as Chief Financial Officer in July 2008.

Prior to joining Bowsprit, Mr Tan worked at Parkway Holdings Limited from 1997 to 2008. He joined them as an Accountant in 1997 and was promoted to the position of Group Accountant and subsequently to Financial Controller. His scope of work in Parkway included supervising the preparation of the financial accounts and handling accounting matters for the holding company as well as some of the subsidiary companies in the Parkway Group. During his tenure, he also assisted Parkway's Chief Financial Officer in the preparation of the consolidated accounts for the Parkway Group.

Mr Tan graduated in 1997 with the professional qualification from the Association of Chartered Certified Accountants (ACCA).

MR CHAN SENG LEONG, JACKY
Senior Asset and Investment Manager

Mr Chan Seng Leong, Jacky 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 totaling 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.

PROPERTY OVERVIEW

Indonesia						
Asset	Mochtar Riady Comprehensive Cancer Centre	Siloam Hospitals Lippo Cikarang	Siloam Hospitals Lippo Village	Siloam Hospitals Kebon Jeruk	Siloam Hospitals Surabaya	Imperial Aryaduta Hotel & Country Club
Type	Hospital	Hospital	Hospital	Hospital	Hospital	Hotel & Country Club
Land Area	4,145 sqm	9,900 sqm	17,442 sqm	11,420 sqm	6,862 sqm	54,410 sqm
Gross Floor Area	37,933 sqm	11,125 sqm	27,284 sqm	18,316 sqm	9,227 sqm	17,427 sqm
Purchase Price	S$170.5 million	S$35.0 million	S$94.3 million	S$50.6 million	S$16.8 million	S$21.2 million
Appraised Value	S$217.5 million	S$41.3 million	S$153.8 million	S$85.9 million	S$30.9 million	S$35.5 million
Annual Rental	S$18,739,000	S$3,778,000	S$13,388,000	S$7,587,000	S$3,001,000	S$3,680,000
No. of Beds / Saleable rooms	165	112	223	197	160	197
No. of Staff	141 full time & part time doctors and 86 nurses & medical staff	81 full time & part time doctors and 101 nurses & medical staff	194 full time & part time doctors and 379 nurses & medical staff	196 full time & part time doctors and 295 nurses & medical staff	107 full time & part time doctors and 255 nurses & medical staff	--
Year of Building Completion	2010	2002	1995	1991	1977	1994
Centre of Excellence	Oncology Digestive Unit	Urology, Internal Medicine, Trauma	Neuro-science centre, Heart centre	Urology centre, Orthopaedics	Fertility centre, Stroke centre	--
Lease Terms	15 years with option to renew for 15 years wef 30 Dec 2010	15 years with option to renew for 15 years wef 31 Dec 2010	15 years with option to renew for 15 years wef 11 Dec 2006	15 years with option to renew for 15 years wef 11 Dec 2006	15 years with option to renew for 15 years wef 11 Dec 2006	15 years with option to renew for 15 years wef 11 Dec 2006

	Singapore			South Korea
Asset	Pacific Healthcare Nursing Home @ Bukit Merah	Pacific Healthcare Nursing Home II @ Bukit Panjang	The Lentor Residence	Sarang Hospital
Type	Nursing Home	Nursing Home	Nursing Home	Hospital
Land Area	1,984 sqm	2,000 sqm	2,486 sqm	2,142 sqm
Gross Floor Area	3,593 sqm	3,563 sqm	2,983 sqm	4,982 sqm
Purchase Price	S$11.8 million	S$11.5 million	S$12.8 million	US$13.0 million
Appraised Value	S$11.0 million	S$11.0 million	S$14.0 million	US$13.2 million
Annual Rental	S$991,000	S$966,000	S$1,071,000	US$637,000
No. of Beds / Saleable rooms	259	265	148	217
Year of Building Completion	2004	2006	1999	2010
Lease Terms	10 years with option to renew for 10 years wef 11 Apr 2007	10 years with option to renew for 10 years wef 11 Apr 2007	10 years with option to renew for 10 years wef 8 Jun 2007	10 years with option to renew for 10 years wef 5 Aug 2011

Mochtar Riady Comprehensive Cancer Centre was appraised by KJPP Rengganis, Hamid & Rekan in strategic alliance with CB Richard Ellis (Pte) Ltd as at 28 December 2011. The other five Indonesia properties were each appraised by KJPP Willson & Rekan in association with Knight Frank as at 28 December 2011. The three Singapore properties were each appraised by Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 28 December 2011. Sarang Hospital was appraised by Cushman & Wakefield (Korea) Ltd as at 28 December 2011.

PROPERTY OVERVIEW *(cont'd)*

Indonesia

Mochtar Riady Comprehensive Cancer Centre
Jalan Garnisun Dalam No. 2-3, Semanggi, Jakarta 12930, Indonesia

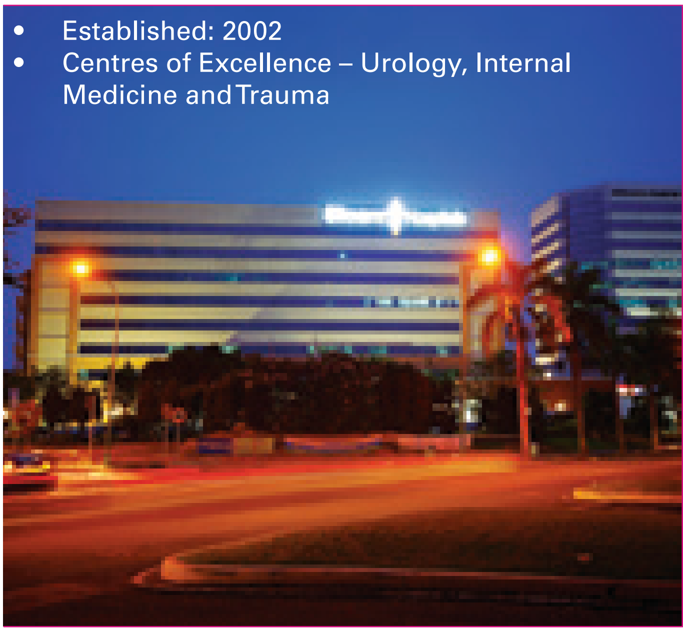
Indonesia's first private palliative care & oncology wellness centre with state-of-the-art facilities and technologies

- Established: 2010
- Centre of Excellence - Oncology Digestive Unit

- Provides high dose brachytherapy, radio-immunotherapy (RIT), radiopeptide therapy, molecular imaging with PET/Computed Tomography (PET/ CT) and Single Photon Emission Computed Tomography/CT (SPECT/ CT) scanning, chemotherapy, complementary therapy, Linear Accelerator treatment, Multi Slice CT, high field strength MRI, angiography, in-house clinical trials and integrated IT and PACS/RIS.
- Provides training in medical oncology, radiation therapy, cancer imaging and surgical oncology.
- Strategically located in prime district in Central Jakarta near Plaza Semanggi, The Aryaduta Apartments and other, international 5-star hotels.

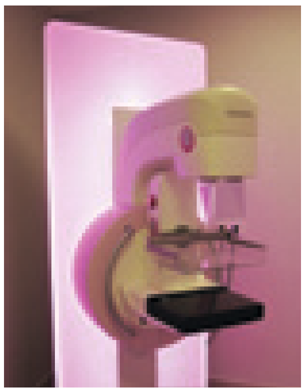
Siloam Hospitals Lippo Cikarang
Jalan Mohammad Husni Thamrin Kav.105, Lippo Cikarang, Bekasi 17550, Indonesia

Possesses reputation for international standards of medical care comprising a broad range of general and specialist services



- Established: 2002
- Centres of Excellence – Urology, Internal Medicine and Trauma

- Provides general surgery, orthopedic surgery, neurology surgery, plastic surgery, urology surgery, thorax and cardiovascular surgery.
- Supported by 24-hour A&E department and Ambulance Services with medical evacuation facilities, as well as inpatient and outpatient facilities.
- Features an ESWL unit to treat kidney stones, well respected for its Pediatric Neonatal Intensive Care Unit to treat premature and sick babies, and equipped for minimally-invasive Laparoscopic Digestive Surgery.
- Well-positioned to serve residents, senior executives and workforce in the growing residential and industrial area of East Jakarta.

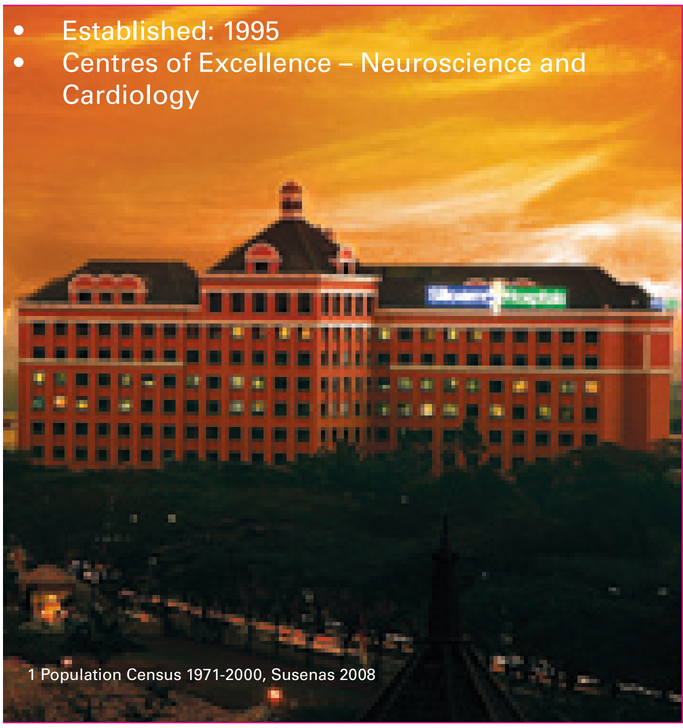


PROPERTY OVERVIEW *(cont'd)*

Indonesia (cont'd)

Siloam Hospitals Lippo Village
Jalan Siloam No. 6 Lippo Karawaci 1600, Tangerang 15811, Banten, Indonesia

One of the largest private hospitals in the region with a strong brand name for excellent patient care, world class Neuroscience and Heart Centre and Trauma Centre (UGD)



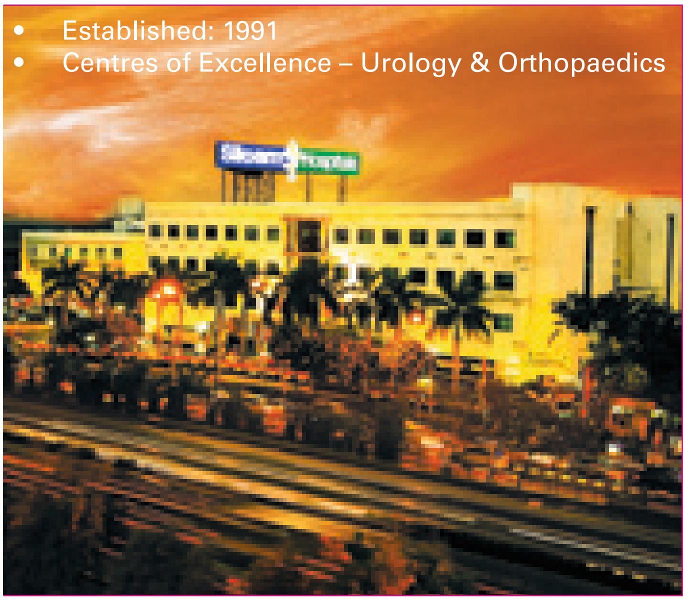
- Established: 1995
- Centres of Excellence – Neuroscience and Cardiology

- Offers a comprehensive range of cardiology services from preventive measures to complicated open-heart surgery for both inpatients and outpatients.
- A "Hub" in Neurosciences, Cardiology, Radiology and Trauma for the Siloam network of hospitals via real-time Tele-medicine and Tele-radiology through which clinical information is transferred to specialists real-time.
- First in Indonesia to be accredited in 2007 and 2010 with the prestigious US-based Joint Commission International (JCI), an international gold standard.
- Conveniently located in the first private sector township of Lippo Karawaci, with a sizeable potential patient base of a population of over 3.7 million[1] in Tangerang Regency (Lippo Karawaci township included).

1 Population Census 1971-2000, Susenas 2008

Siloam Hospitals Kebon Jeruk
Jalan Raya Pejuangan Kav. 8, Kebon Jeruk, Jakarta 11530, Indonesia

Renowned for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system



- Established: 1991
- Centres of Excellence – Urology & Orthopaedics

- One-stop centre for urology services, particularly prostate and kidney stones diseases; as well as prevention, diagnosis and treatment, and medical rehabilitation services for the musculoskeletal system.
- Garnered an Indonesian Hospital Accreditation from the Ministry of Health in 2002.
- A "Hub" in Orthopaedic, Urology, Cardiology and Radiology for the Siloam network of hospitals via real-time Tele-medicine and Tele-radiology through which clinical information is transferred to specialists real-time.
- Serves large catchment of middle to upper income residents in West Jakarta.

Indonesia (cont'd)

Siloam Hospitals Surabaya
Jalan Raya Gubeng No. 70, Surabaya 60281, Indonesia

The largest and one of the most highly recognised and respected private hospitals in Surabaya, with excellent fertility and Trauma Centre (UGD) facilities

- Established: 1977
- Centre of Excellence - Fertility Services

- Enjoys high fertility success rates (≈45%) compared to the average success rates in Indonesia and Singapore (only averaging 28%).
- Successfully performed 831 ovum pick-ups and has a 45.5% pregnancy rate from 789 embryo transfers in 2011.
- Highly experienced medical team that can handle all emergencies including medical evacuation to Jakarta or any overseas destination.
- Located in the central area of Indonesia's second largest city, serving a large catchment area of potential patients given the relatively lower number of higher quality hospitals in the region.

Imperial Aryaduta Hotel & Country Club
Boulevard Jenderal Sudirman, Lippo Village 1300, Tangerang 15811, Banten, Indonesia

One of the very few hotels with linked country clubs in Jakarta

- Established: 1994

- 5-star Hotel and Country Club complete with a wide range of sports, recreational, convention, and food and beverage services.
- Situated in the heart of Lippo Village's business and commercial district, and right next to Siloam Hospitals Lippo Karawaci, providing convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients and families.
- Attractive to business travelers with ideal location near business and industrial areas of Cilegon.

PROPERTY OVERVIEW *(cont'd)*

Singapore

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

4-storey custom-built nursing home

- Established: 2004
- Lease tenure: 30 years with effect from 22 April 2002

- Conveniently located near Bukit Merah New Town, Redhill MRT Station and City Centre.
- Also in close proximity to the restructured hospitals: Singapore General Hospital, National University Hospital and Alexandra Hospital.
- Staffed with a team of dedicated, experienced and friendly healthcare professionals to care for the needs of the residents around the clock.

Pacific Healthcare Nursing Home II @ Bukit Panjang
21 Senja Road, Singapore 677736

5-storey custom-built nursing home

- Established: 2006
- Lease tenure: 30 years with effect from 14 May 2003

- Situated close to Bukit Panjang Town Centre and the Senja LRT Station.
- Comprises a team of well-qualified and dedicated nursing staff to attend to the needs of residents.
- Has a Rehabilitation Centre providing specialised treatment including occupational and speech therapy.

The Lentor Residence
51 Lentor Avenue, Singapore 786876

4-storey custom-built nursing home with upcoming 5-storey extension (to be completed by 2H 2012)

- Established: 1999
- Lease tenure: 99 years with effect from 20 August 1938

- Situated in the Lentor vicinity surrounded by greenery.
- Comprehensive medical facilities such as in-house clinic and doctor in attendance, 24 hour nursing care and nurse-call system and telephone line at every bedside.
- Additional security features such as professionally managed security system eg Public Address system with Closed Circuit Television security monitors.

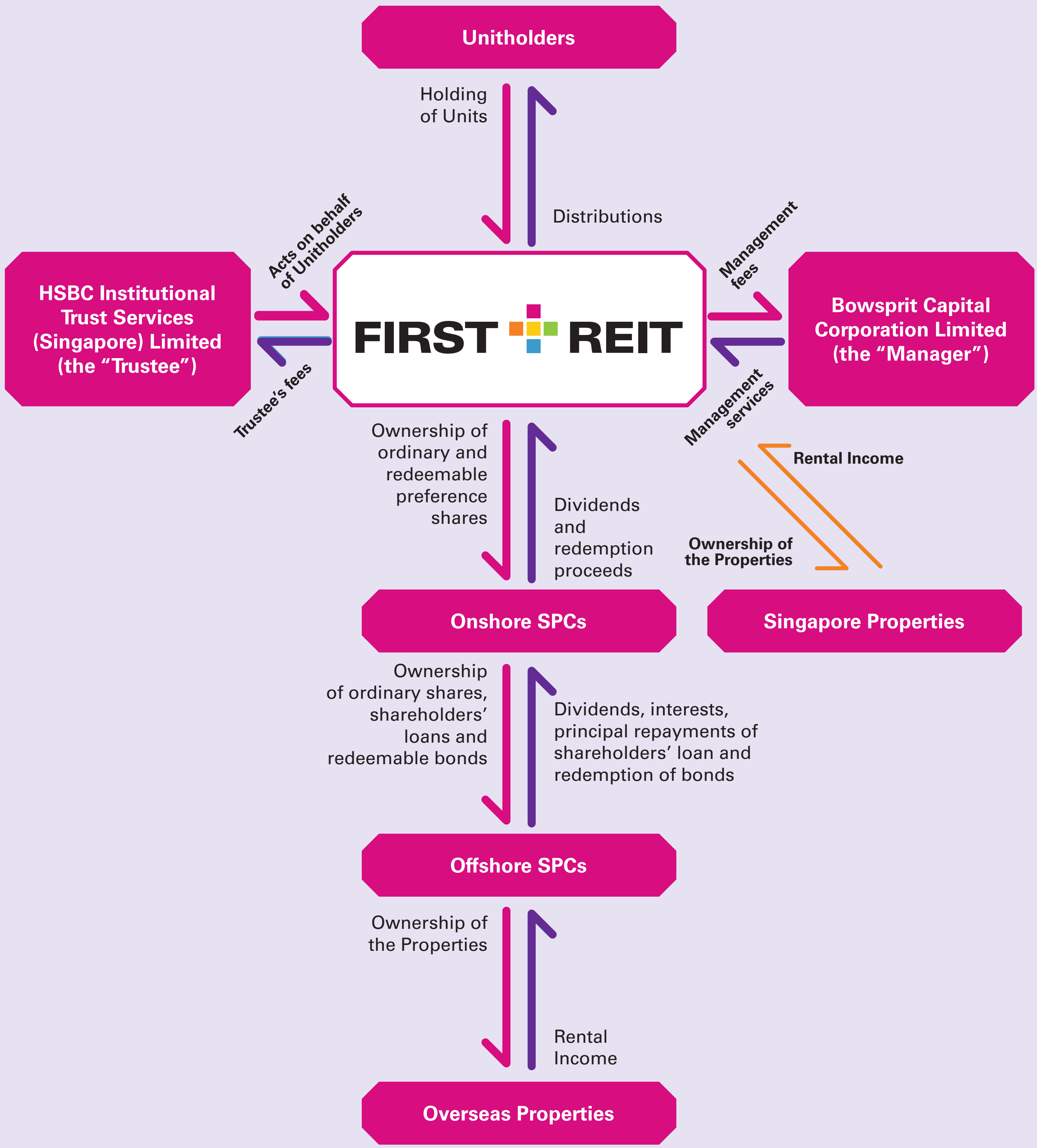
South Korea

Sarang Hospital
267 – 40, 267 – 36 and 267 – 9 Bongsan-Dong, Yeosu City, Jeonranam – Do, Korea

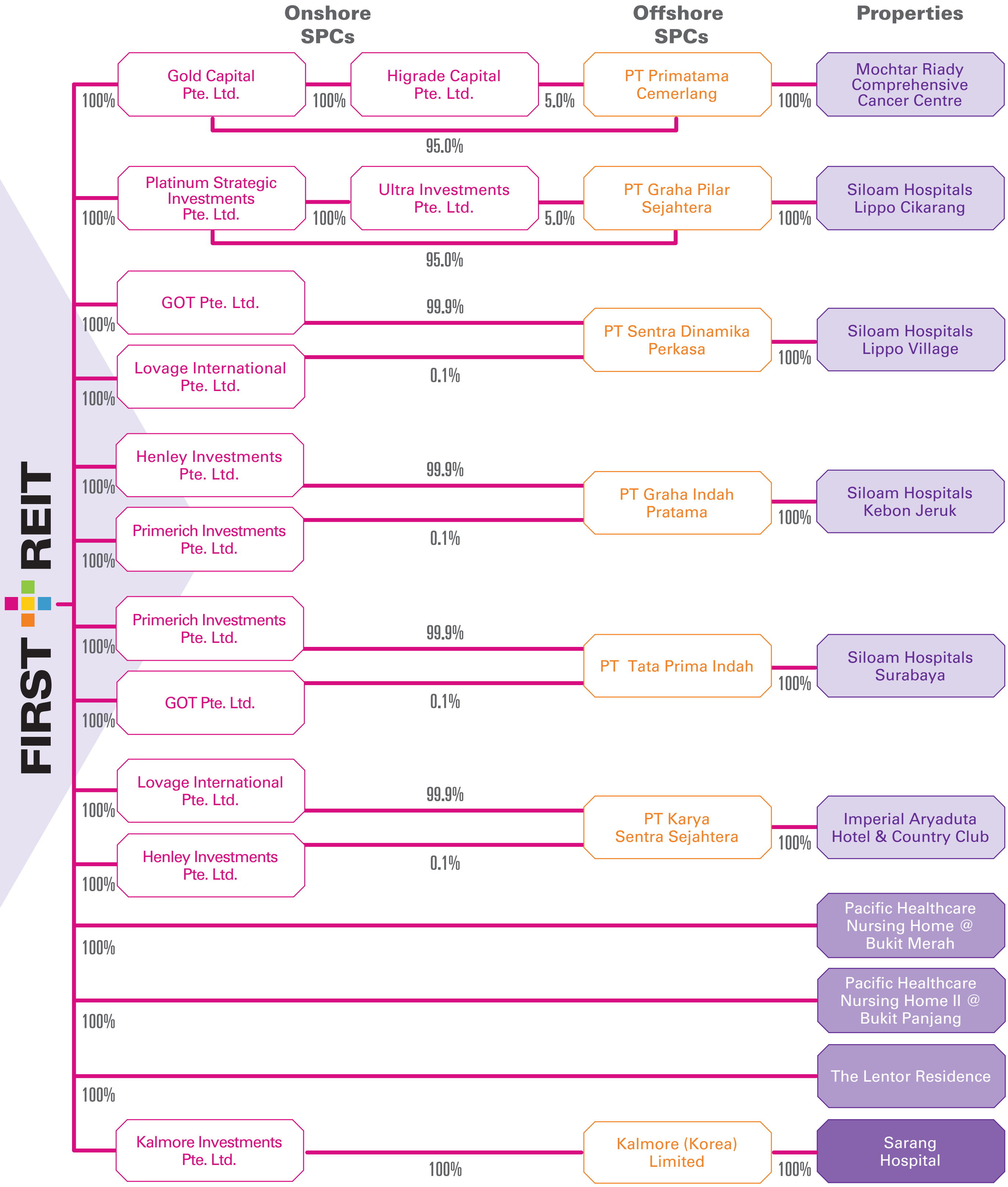
One of the largest rehabilitative and nursing facilities in Yeosu City, South Korea

- Established: 2010
- Known for its rehabilitative services and enjoys high occupancy rate.
- The hospital also has clinics, x-ray and ultrasound diagnostic facilities, a rehabilitation centre, cafeteria and restaurant.
- Centrally located in the beach resort city of Yeosu, host to the 2012 World Expo and has a population of about 300,000.

TRUST STRUCTURE



OWNERSHIP STRUCTURE



FY 2012 FINANCIAL CALENDAR
(Tentative)

Date	Events
20 April 2012	1Q FY 2012 Results Announcement
30 May 2012	1Q FY 2012 Distribution to Unitholders
20 July 2012	2Q FY 2012 Results Announcement
29 August 2012	2Q FY 2012 Distribution to Unitholders
23 October 2012	3Q FY 2012 Results Announcement
29 November 2012	3Q FY 2012 Distribution to Unitholders
23 January 2013	4Q FY 2012 Results Announcement
28 February 2013	4Q FY 2012 Distribution to Unitholders



CORPORATE GOVERNANCE REPORT

Bowsprit Capital Corporation Limited (the **"Manager"**), as the manager of First Real Estate Investment Trust (**"First REIT"**) has the responsibility of managing the business conducted by First REIT. First REIT, constituted as a real estate investment trust is externally managed by the Manager and accordingly, has no personnel of its own. The Manager is dedicated to maintaining the highest standard of corporate governance.

The Board of Directors of the Manager sets out in this report, the corporate governance practices and policies in reference to regulatory requirements and the Code of Corporate Governance (the **"Code"**).

THE MANAGER OF FIRST REIT

The Manager has general powers of management over the assets of First REIT.

The Manager's main responsibility is to manage the assets and liabilities of First REIT in the best interests of First REIT's unitholders (the **"Unitholders"**).

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:

(i) 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;

(ii) Preparing property plans on a regular basis 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 properties;

(iii) Ensuring compliance with the applicable provisions of the Securities and Futures Act, Chapter 289 (**"SFA"**) and all other relevant legislations, the listing manual of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) (the **"Listing Manual"**), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (**"MAS"**) (the **"CIS Code"**) including Property Fund Guidelines in Part II Appendix 6 of the CIS Code (the **"Property Funds Guidelines"**), the Manager's obligations under the Trust Deed, Singapore Financial Reporting Standard, any tax ruling and all relevant contracts; and

(iv) Attending to all regular communications with Unitholders.

The Manager has procedures in place to comply with existing regulations that govern REITs and listed REITs. The Manager and its officers have been granted capital markets services (**"CMS"**) licence and representative's licences by MAS under the SFA.

The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of the Manager. The Manager, and not First REIT remunerates all directors and employees of the Manager. It is therefore not necessary for the Manager to have a remuneration committee or to include a report on remuneration of its Directors and key executives.

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 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 risk management process.

CORPORATE GOVERNANCE REPORT *(cont'd)*

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 judiciously upon any comments from the auditors of First REIT. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. 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 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 affect First REIT's business 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. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties.

Newly appointed directors are briefed by management on the business activities and strategic directions of First REIT and all relevant provisions that they need to comply with.

Four Board meetings were held during the financial year 2011. The attendance at the Board meetings is set out on page 31 of this Annual Report.

Board Composition and Balance

The Board presently consists of five Directors, of whom two are Non-Executive Independent Directors. This number is appropriate for the current scope of First REIT's operation. 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 Mr Goh Tiam Lock, Mr Mag Rainer Silhavy and Mr Markus Parmadi.

Mr Douglas Chew was an Alternate Director to Mr Mag Rainer Silhavy during the financial year. He ceased to be an Alternate Director on 29 February 2012.

The Board comprises business leaders and professionals with fund management, healthcare, property, banking and finance backgrounds. The profiles of the Directors are set out on pages 10 to 12 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; and
- At least one-third of the Board should comprise Independent Directors.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate size and mix of expertise and experience. The independence of each Director is reviewed upon appointment and thereafter annually by the Board.

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. Their responsibilities are clearly defined. The Chairman and the Chief Executive Officer are not related to each other.

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 and vice versa. 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 of the Manager and is composed of three members, the majority of whom (including the Chairman of the Audit Committee) are Independent Directors.

Presently, the Audit Committee consists the following members:

Mr Albert Saychuan Cheok (Chairman)	(Non-executive and Independent)
Mr Markus Parmadi	(Non-executive)
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 CIS Code including 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 annual basis;
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and the internal audit report;

CORPORATE GOVERNANCE REPORT *(cont'd)*

- 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 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. The amount paid/payable to external auditors for non-audit services fees was $14,000 for the financial year under review.

Four Audit Committee meetings were held during the financial year 2011. The attendance at the Audit Committee meetings is set out on page 31 of this Annual Report.

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 outsourced 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 it audits.

INTERNAL CONTROLS

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the interests of Unitholders and the assets of First REIT. The Board believes that the present system of internal controls provide reasonable and adequate safeguard against material financial misstatements or losses. The Board recognizes the need to make a regular review to ensure that the system of internal controls continue to be reasonable and adequate.

Non compliance and internal control weaknesses noted by the internal and external auditors and their recommendations will be reported to the Audit Committee. To date, there has been no identified non compliance or internal control weakness of a material nature.

For the financial year ended 31 December 2011, based on the report of the internal and external auditors, information furnished by the Management and observations made, the Board with the concurrence of the Audit Committee, is of the view that the present internal controls are adequate in addressing financial, operational and compliance risks.

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 such Units:

- on short-term considerations;
- during the period commencing one month before the public announcement of First REIT's annual, semi-annual results and (where applicable) property valuation 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 valuation; 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 during the period commencing one month before the public announcement of First REIT's annual, semi-annual results and (where applicable) property valuation 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 valuation.

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 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.

CORPORATE GOVERNANCE REPORT *(cont'd)*

RELATED PARTY TRANSACTIONS

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 5.0% 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 of 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. If the Trustee is to sign any contract with 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 may be from time to time prescribed by the MAS or SGX-ST to apply to real estate investment trusts.

There is an existing interested person transaction made in the ordinary course of business with a director of the Manager. However, no payment has been made.

Role of the Audit Committee for Related Party Transactions

All Related Party Transactions will be subject 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 First REIT and the Unitholders.

The Manager will maintain a register to record 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 year.

COMMUNICATION WITH UNITHOLDERS

The Listing Manual of the SGX-ST requires that a listed entity disclose to the market matters that would likely 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 maintains an active dialogue with Unitholders and also conducts regular briefings for analyst and media representatives, which generally coincide with the release of First REIT's results. During these briefings, 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 2011 is as follows:

Name of Directors/ Audit Committee Members	Board Meetings	Audit Committee Meetings
	Attendance/ No. of meetings held	Attendance/ No. of meetings held
Albert Saychuan Cheok	4/4	4/4
Dr Ronnie Tan Keh Poo	4/4	NA
Goh Tiam Lock	4/4	4/4
Mag Rainer Silhavy	2/4	NA
Markus Parmadi	4/4	4/4
Douglas Chew (Alternate Director to Mag Rainer Silhavy)	2/4	NA

NA: Not Applicable

OTHERS

RSM Chio Lim LLP audited the REIT and the Singapore incorporated subsidiaries. Member firms of RSM International of which RSM Chio Lim LLP is a member, audited the foreign subsidiaries. The REIT is in compliance with Rules 712 and 715 of the Listing Manual.

FINANCIAL CONTENTS

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 units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, 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, 19 April 2010 and 26 April 2011) (the "Trust Deed") between the Manager and the Trustee in each annual financial reporting year and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial reporting year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited

Antony Wade Lewis
Director

Singapore
26 January 2012

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") comprising the statements of total return, statements of distribution, statements of financial position, statements of changes in unitholders' funds, statements of portfolio, and statements of cash flows of the Group and the Trust, and a summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and portfolio of the Group and of the Trust as at 31 December 2011, the total returns, distributions and changes in unitholders' funds and cash flows of the Group and of the Trust for the reporting year ended on that date 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" issued by the Institute of Certified Public Accountants of Singapore. 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
Director

Singapore
26 January 2012

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"), which comprise the statements of financial position and statements of portfolio of the Group and of the Trust as at 31 December 2011, the statements of total return, statements of distribution, statements of changes in unitholders' funds and statements of cash flows of the Group and of the Trust for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

Bowsprit Capital Corporation Limited (the "Manager") of the Trust is responsible for the preparation of financial statements that give a true and fair view 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" issued by the Institute of Certified Public Accountants of Singapore, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statements of total return and statements of financial position and to maintain accountability of assets.

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 about 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 judgement, 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 of financial statements that give a true and fair view 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 of the Trust, 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.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

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 2011, and of the returns, changes in unitholders' funds and cash flows of the Group and the Trust for the reporting year ended on that date.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

26 January 2012

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

STATEMENTS OF TOTAL RETURN

Year Ended 31 December 2011

	Notes	Group 2011 $'000	Group 2010 $'000 (Restated)	Trust 2011 $'000	Trust 2010 $'000
Gross Revenue	4	54,006	30,274	35,330	23,090
Property Operating Expenses	5	(570)	(399)	(65)	(269)
Net Property Income		53,436	29,875	35,265	22,821
Interest Income		104	26	1,746	18
Manager's Management Fees	6	(5,251)	(3,030)	(5,251)	(3,030)
Trustee Fees	3	(193)	(127)	(193)	(127)
Finance Costs	7	(3,778)	(2,231)	(3,778)	(2,231)
Other Expenses	8	(1,696)	(969)	(1,700)	(952)
Net Income before the Undernoted		42,622	23,544	26,089	16,499
Increase/(Decrease) in Fair Values of Investment Properties	12	14,426	56,442	(225)	3,107
Gain on Divestment of Investment Property		3,567	–	3,567	–
Total Return for the Year before Income Tax		60,615	79,986	29,431	19,606
Income Tax (Expense)/Income	9	(9,664)	(10,486)	1,135	(528)
Total Return for the Year after Income Tax		50,951	69,500	30,566	19,078
Other Comprehensive Income:					
Exchange Differences on Translating Foreign Operations, Net of Tax		1,093	–	–	–
Other Comprehensive Income for the Year, Net of Tax		1,093	–	–	–
Total Comprehensive Income		52,044	69,500	30,566	19,078

	Notes	Cents	Cents	Cents	Cents
Earnings per Unit in Cents					
Basic and Diluted Earnings per Unit	10	8.15	18.04	N/A	N/A

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

STATEMENTS OF DISTRIBUTION

Year Ended 31 December 2011

			Group		Trust	
			2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000
Total Return for the Year after Income Tax			50,951	69,500	30,566	19,078
Adjustments for Tax Purposes:						
Manager's Management Fees Settled in Units			4,499	1,085	4,499	1,085
Change in Fair Values of Investment Properties, Net of Deferred Tax			(12,432)	(50,929)	187	(2,579)
Tax-Exempt Income			–	–	7,777	2,070
Deferred Rental Income of Property Under Asset Enhancement			172	1,220	172	1,220
Rights Issue Related Expenses			–	435	–	435
Realised Revaluation Gain on Divestment of Investment Property, Net of Deferred Tax			4,063	–	4,063	–
Foreign Exchange Adjustment Loss			1,182	–	1,186	–
Others			(124)	35	(139)	37
Total Available for Distribution to Unitholders			48,311	21,346	48,311	21,346
	Distribution per Unit in Cents					
	2011	2010				
Distributions Made to Unitholders:						
Distribution for the Quarter Ended 31 March	1.58	1.90	9,871	5,244	9,871	5,244
Distribution for the Quarter Ended 30 June	1.58	1.92	9,897	5,304	9,897	5,304
Distribution for the Quarter Ended 30 September	1.92	1.94	12,051	5,364	12,051	5,364
Total Interim Distributions Paid in the Year Ended 31 December			31,819	15,912	31,819	15,912
Total Return Available for Distribution to Unitholders for the Quarter Ended 31 December Paid after the Year End Date (See Note 27)	1.93	0.87	12,115	5,434	12,115	5,434
			43,934	21,346	43,934	21,346
Distributions Out of:						
As Distribution from Operations			31,807	19,276	31,807	19,276
As Distribution of Unitholders' Capital Contribution			7,777	2,070	7,777	2,070
As Distribution from Other Gain			4,350	–	4,350	–
			43,934	21,346	43,934	21,346

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Notes	Group 2011 $'000	Group 2010 $'000 (Restated)	Group 1 Jan 2010 $'000 (Restated)	Trust 2011 $'000	Trust 2010 $'000
ASSETS						
Non-Current Assets						
Investment Properties	12	617,981	612,800	340,910	36,000	62,400
Investments in Subsidiaries	13	–	–	–	324,531	311,654
Loan Receivable, Non-Current	15	–	–	–	71,356	75,546
Deferred Tax Assets	9	472	–	–	472	–
Total Non-Current Assets		618,453	612,800	340,910	432,359	449,600
Current Assets						
Trade and Other Receivables, Current	14	8,315	11,994	1,109	2,240	2,747
Loan Receivable, Current	15	–	–	–	4,191	4,192
Other Assets, Current	16	1,123	2,184	1,136	–	1,075
Cash and Cash Equivalents	17	32,725	27,593	11,497	25,917	25,893
Total Current Assets		42,163	41,771	13,742	32,348	33,907
Total Assets		660,616	654,571	354,652	464,707	483,507
UNITHOLDERS' FUNDS AND LIABILITIES						
Unitholders' Fund						
Issued Equity		344,714	346,350	179,633	344,714	346,350
Retained Earnings		159,492	139,522	89,130	2,245	2,660
Foreign Exchange Reserve		1,093	–	–	–	–
Total Unitholders' Funds	18	505,299	485,872	268,763	346,959	349,010
Non-Current Liabilities						
Deferred Tax Liabilities	9	30,225	28,856	23,343	–	664
Other Financial Liabilities, Non-Current	20	49,361	57,350	52,301	49,361	57,350
Other Liabilities, Non-Current		–	1,220	–	–	1,220
Total Non-Current Liabilities		79,586	87,426	75,644	49,361	59,234
Current Liabilities						
Income Tax Payable		980	633	538	–	–
Trade and Other Payables, Current	21	11,554	66,922	1,711	18,150	72,459
Other Financial Liabilities, Current	20	48,430	–	–	48,430	–
Other Liabilities, Current	22	14,767	13,718	7,996	1,807	2,804
Total Current Liabilities		75,731	81,273	10,245	68,387	75,263
Total Liabilities		155,317	168,699	85,889	117,748	134,497
Total Unitholders' Funds and Liabilities		660,616	654,571	354,652	464,707	483,507
		Cents	Cents (Restated)	Cents (Restated)	Cents	Cents
Net Assets Value per Unit in Cents						
Net Assets Value per Unit	18	80.50	78.08	97.56	55.28	56.09

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

Year Ended 31 December 2011

	Issued Equity $'000	Retained Earnings $'000	Foreign Exchange Reserve $'000	Total Equity $'000
Group:				
Current Year:				
Opening Balance at 1 January 2011	346,350	132,742	–	479,092
Adjustments to Opening Balance (Note 30)	–	6,780	–	6,780
Restated Opening Balance at 1 January 2011	346,350	139,522	–	485,872
Total Comprehensive Income for the Year	–	50,951	1,093	52,044
Manager's Management Fees Settled in Units	3,804	–	–	3,804
Manager's Acquisition Fees Settled in Units	350	–	–	350
Write Back of Over Accrual of Rights Issue Related Expenses	470	–	–	470
Distribution to Unitholders Paid During the Year	(6,260)	(30,981)	–	(37,241)
Closing Balance at 31 December 2011	344,714	159,492	1,093	505,299
Previous Year:				
Opening Balance at 1 January 2010	179,633	91,394	–	271,027
Adjustments to Opening Balance (Note 30)	–	(2,264)	–	(2,264)
Restated Opening Balance at 1 January 2010	179,633	89,130	–	268,763
Total Comprehensive Income for the Year	–	69,500	–	69,500
Rights Issue Net of Related Costs (Note 18)	167,919	–	–	167,919
Manager's Management Fees Settled in Units	896	–	–	896
Distribution to Unitholders Paid During the Year	(2,098)	(19,108)	–	(21,206)
Closing Balance at 31 December 2010	346,350	139,522	–	485,872

	Issued Equity $'000	Retained Earnings $'000	Total Equity $'000
Trust:			
Current Year:			
Opening Balance at 1 January 2011	346,350	2,660	349,010
Total Comprehensive Income for the Year	–	30,566	30,566
Manager's Management Fees Settled in Units	3,804	–	3,804
Manager's Acquisition Fees Settled in Units	350	–	350
Write Back of Over Accrual of Rights Issue Related Expenses	470	–	470
Distribution to Unitholders Paid During the Year	(6,260)	(30,981)	(37,241)
Closing Balance at 31 December 2011	344,714	2,245	346,959
Previous Year:			
Opening Balance at 1 January 2010	179,633	2,690	182,323
Total Comprehensive Income for the Year	–	19,078	19,078
Rights Issue Net of Related Costs (Note 18)	167,919	–	167,919
Manager's Management Fees Settled in Units	896	–	896
Distribution to Unitholders Paid During the Year	(2,098)	(19,108)	(21,206)
Closing Balance at 31 December 2010	346,350	2,660	349,010

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

STATEMENTS OF CASH FLOWS

Year Ended 31 December 2011

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash Flows from Operating Activities:				
Total Return before Income Tax	60,615	79,986	29,431	19,606
Interest Income	(104)	(26)	(1,746)	(18)
Interest Expense	3,202	2,022	3,202	2,022
Amortisation of Borrowing Costs	576	209	576	209
Foreign Exchange Adjustment Loss	1,182	–	1,186	–
Dividend Income	–	–	(32,302)	(20,121)
(Increase)/Decrease in Fair Values of Investment Properties	(14,426)	(56,442)	225	(3,107)
Gain on Divestment of Investment Property	(3,567)	–	(3,567)	–
Manager's Acquisition Fees Settled in Units	350	–	350	–
Manager's Management Fees Settled in Units	3,804	896	3,804	896
Operating Cash Flows before Changes in Working Capital	51,632	26,645	1,159	(513)
Trade and Other Receivables, Current	3,684	(10,886)	508	(492)
Other Assets, Current	1,061	(482)	1,075	(481)
Trade and Other Payables, Current	(5,683)	10,779	(54,624)	65,273
Other Liabilities	(171)	6,942	(2,217)	1,280
Net Cash Flows From/(Used In) Operating Activities before Income Tax	50,523	32,998	(54,099)	65,067
Income Taxes Paid	(8,420)	(5,444)	–	–
Net Cash Flows From/(Used In) Operating Activities	42,103	27,554	(54,099)	65,067
Cash Flows from Investing Activities:				
Increase in Investment Properties	(69,034)	(160,840)	(3,198)	(4,520)
Proceeds from Disposal of Investment Property	33,000	–	33,000	–
Decrease in Investments in Subsidiaries	–	–	7,777	2,070
Loan to Subsidiary	–	–	4,191	(79,738)
Acquisition of Subsidiaries	–	–	(20,654)	(137,180)
Interest Received	99	27	1,741	19
Dividend Received	–	–	32,302	20,121
Net Cash Flows (Used In)/From Investing Activities	(35,935)	(160,813)	55,159	(199,228)
Cash Flows from Financing Activities:				
Distribution to Unitholders	(37,241)	(21,206)	(37,241)	(21,206)
Net Proceeds from Rights Issue	–	167,919	–	167,919
Write Back of Over Accrual of Rights Issue Related Expenses	470	–	470	–
Increase in Borrowings	66,082	4,840	66,082	4,840
Repayment of Borrowings	(27,400)	–	(27,400)	–
Cash Restricted in Use for Bank Facilities	–	4,000	–	4,000
Interest Paid	(2,947)	(2,198)	(2,947)	(2,198)
Net Cash Flows (Used In)/From Financing Activities	(1,036)	153,355	(1,036)	153,355
Net Increase in Cash and Cash Equivalents	5,132	20,096	24	19,194
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	27,593	7,497	25,893	6,699
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 17A)	32,725	27,593	25,917	25,893

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

STATEMENTS OF PORTFOLIO

As at 31 December 2011

	Carrying Value as at 31.12.2011 $'000	Percentage of Total Net Assets as at 31.12.2011 %	Carrying Value as at 31.12.2010 $'000 (Restated)	Percentage of Total Net Assets as at 31.12.2010 % (Restated)
Group:				
Investment Properties in Indonesia	564,900	111.80	550,400	113.28
Investment Properties in Singapore	36,000	7.12	62,400	12.84
Investment Properties in South Korea	17,081	3.38	–	–
Portfolio of Investment Properties at Valuation – Total	617,981	122.30	612,800	126.12
Other Net Liabilities	(112,682)	(22.30)	(126,928)	(26.12)
Net Assets Attributable to Unitholders	505,299	100.00	485,872	100.00

	Carrying Value as at 31.12.2011 $'000	Percentage of Total Net Assets as at 31.12.2011 %	Carrying Value as at 31.12.2010 $'000	Percentage of Total Net Assets as at 31.12.2010 %
Trust:				
Investment Properties in Singapore	36,000	10.38	62,400	17.88
Portfolio of Investment Properties at Valuation – Total	36,000	10.38	62,400	17.88
Investments in Subsidiaries	324,531	93.53	311,654	89.30
Other Net Liabilities	(13,572)	(3.91)	(25,044)	(7.18)
Net Assets Attributable to Unitholders	346,959	100.00	349,010	100.00

By Geographical Area
Group

Description of Property/ Location/Acquisition Date/Tenure of Land (All Revaluations Made in December)	Gross Floor Area in Square Meter	Carrying Value as at 31.12.2011 $'000	Percentage of Total Net Assets as at 31.12.2011 %	Carrying Value as at 31.12.2010 $'000	Percentage of Total Net Assets as at 31.12.2010 % (Restated)
Indonesia					
Siloam Hospitals Lippo Village Jalan Siloam No. 6 Lippo Karawaci 1600, Tangerang 15811, Banten, Indonesia 11 December 2006, Hospital Hak Guna Bangunan ("HGB") Lease expiring in December 2021 (option to renew for 15 years)	27,284	153,800	30.44	147,300	30.32
Siloam Hospitals Kebon Jeruk Jalan Raya Pejuangan Kav. 8, Kebon Jeruk, Jakarta 11530, Indonesia 11 December 2006, Hospital, HGB Lease expiring in December 2021 (option to renew for 15 years)	18,316	85,900	17.00	82,000	16.88
Siloam Hospitals Surabaya Jalan Raya Gubeng No. 70, Surabaya 60281, Indonesia 11 December 2006, Hospital, HGB Lease expiring in December 2021 (option to renew for 15 years)	9,227	30,900	6.11	29,700	6.11
Imperial Aryaduta Hotel & Country Club Boulevard Jenderal Sudirman, Lippo Village 1300, Tangerang 15811, Banten, Indonesia 11 December 2006, Hotel & Country Club, HGB Lease expiring in December 2021 (option to renew for 15 years)	17,427	35,500	7.03	34,100	7.02
Mochtar Riady Comprehensive Cancer Centre Jalan Garnisun Dalam No. 2-3, Semanggi, Jakarta 12930, Indonesia 30 December 2010, Hospital, HGB Lease expiring in December 2025 (option to renew for 15 years)	37,933	217,500	43.04	216,000	44.46
Siloam Hospitals Lippo Cikarang Jalan Mohammad Husni Thamrin Kav. 105 Lippo Cikarang, Bekasi, Indonesia 17550 31 December 2010, Hospital, HGB Lease expiring in December 2025 (option to renew for 15 years)	11,125	41,300	8.17	41,300	8.50

STATEMENTS OF PORTFOLIO *(cont'd)*

As at 31 December 2011

By Geographical Area
Group

Description of Property/ Location/Acquisition Date/Tenure of Land (All Revaluations Made in December)	Gross Floor Area in Square Meter	Carrying Value as at 31.12.2011 $'000	Percentage of Total Net Assets as at 31.12.2011 %	Carrying Value as at 31.12.2010 $'000	Percentage of Total Net Assets as at 31.12.2010 % (Restated)
Singapore					
Pacific Healthcare Nursing Home @ Bukit Merah 6 Lengkok Bahru, Singapore 159051 11 April 2007, Nursing Home 30 years leasehold from 2002 Lease expiring in April 2017 (option to renew for 10 years)	3,593	11,000	2.18	11,100	2.28
Pacific Healthcare Nursing Home II @ Bukit Panjang 21 Senja Road, Singapore 677736 11 April 2007, Nursing Home 30 years leasehold from 2003 Lease expiring in April 2017 (option to renew for 10 years)	3,563	11,000	2.18	11,000	2.26
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007, Nursing Home 99 years leasehold from 1938 Lease expiring in June 2017 (option to renew for 10 years)	2,983	14,000	2.77	12,100	2.49
Adam Road Hospital 19 Adam Road, Singapore 289891 23 July 2007, Hospital, Freehold	Sold in 2011	–	–	28,200	5.80
South Korea					
Sarang Hospital 267-40, Bongsan-dong, Yeosu-si Jeollanam-do, South Korea 5 August 2011, Hospital, Freehold Lease expiring in August 2021 (option to renew for 10 years)	4,982	17,081	3.38	–	–
Portfolio of Investment Properties at Valuation – Total		617,981	122.30	612,800	126.12

By Geographical Area
Trust

Description of Property/ Location/Acquisition Date/Tenure of Land (All Revaluations Made in December)	Gross Floor Area in Square Meter	Carrying Value as at 31.12.2011 $'000	Percentage of Total Net Assets as at 31.12.2011 %	Carrying Value as at 31.12.2010 $'000	Percentage of Total Net Assets as at 31.12.2010 %
Singapore					
Pacific Healthcare Nursing Home @ Bukit Merah See above under Group.	3,593	11,000	3.17	11,100	3.18
Pacific Healthcare Nursing Home II @ Bukit Panjang See above under Group.	3,563	11,000	3.17	11,000	3.15
The Lentor Residence See above under Group.	2,983	14,000	4.04	12,100	3.47
Adam Road Hospital See above under Group.	Sold in 2011	–	–	28,200	8.08
Portfolio of Investment Properties at Valuation – Total		36,000	10.38	62,400	17.88

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 ("Trust Deed") (subsequently amended on 6 September 2007, 19 April 2010 and 26 April 2011) entered into between Bowsprit Capital Corporation Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of Singapore.

First REIT is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Trust and its subsidiaries (the "Group") is to invest in a portfolio of income producing real estate properties, which are primarily used for healthcare and healthcare-related purposes. The primary objective is 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: 50 Collyer Quay #06-01 OUE Bayfront Singapore 049321.

The financial statements were approved and authorised for issue by the board of directors of the Manager on 26 January 2012. The financial statements are for the Trust and the Group.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The Group's forecasts and projections, taking into account of reasonably possible changes in performance, show that the Group should be able to operate within the level of its current facility. The Group has considerable financial resources together with some good arrangements with the tenants and suppliers. As a consequence, the Manager believes that the Group is well placed to manage its business risks successfully.

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") as issued by the Singapore Accounting Standards Council, Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") 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 and the provisions of the Trust Deed. Where presentation guidance set out in the RAP 7 is consistent with the requirements of the FRS, the Trust 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 a FRS requires 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Trust and all of its directly and indirectly controlled subsidiaries. The 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 profit or loss and other comprehensive income items and dividends, are eliminated on consolidation. The results of the investees acquired or disposed off during the reporting year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases. On disposal, the attributable amount of goodwill, if any, is included in the determination of the gain or loss on disposal.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within unitholders' funds. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management 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 year. 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 management'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.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales 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 on a straight-line basis over the leased term.

Interest income

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

Dividend income

Dividend from equity instrument is recognised as income when the entity's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

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 depending on whether the entity expects to recover the carrying amount of the asset through use or sale. 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. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in unitholders' funds if the tax is related to an item recognised directly in 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 end of the reporting year 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 or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits. Also see Note 30 on change in accounting policy.

Foreign Currency Transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in unitholders' funds such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of Financial Statements of Foreign Entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of unitholders' funds until the disposal of that relevant entity.

Operating Segment Reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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, an investment in a subsidiary is 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 value of the investment in a subsidiary is not necessarily indicative of the amounts that would be realised in a current market exchange.

Business Combinations

Business combinations are accounted for by applying the acquisition method. There were none during the reporting year.

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.

Investment Properties

An 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. It includes an investment property in the course of construction. 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 end of the reporting year, 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 profit or loss for the reporting year 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. 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. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position 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, 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 reporting year 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 reporting years 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 profit or loss 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 profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss 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. Contingent rents receivable are recognised in the reporting years in which they occur.

Impairment of Non-Financial Assets

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 carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. 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. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior reporting years 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)*

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position 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 profit or loss 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 or loss are expensed immediately. The transactions are recorded at the trade date.

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

Subsequent measurement:

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 or loss: As at end of the reporting year there were no financial assets 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 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. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. 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 profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year there were no financial assets classified in this category.

4. Available-for-sale financial assets: As at end of the reporting year there were no financial assets classified in this category.

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 statement of cash flows 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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial Liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expired. 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 profit or loss 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 or loss 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 end of the reporting year.

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 or loss: As at end of the reporting year there were no financial liabilities classified in this category.

2. Other financial liabilities: All liabilities, which have not been classified as 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 borrowings are usually 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 amounts of the proceeds net of direct issue costs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is: the total of the fair value of the financial assets and other financial instruments: the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any commitments on borrowings at the end of the reporting year. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique. 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. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Net Assets Attributable to Unitholders

The units are contracts that give a residual interest in the net assets of the Trust. Net assets attributable to unitholders represent residual interest in the net assets of the Trust. Units issued are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Distributions to unitholders 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 profit or loss in the reporting year they occur.

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 end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting 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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)*

Critical Judgements, Assumptions and Estimation Uncertainties *(cont'd)*

Fair values of investment properties:

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

Income tax estimation:

Management's judgement is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax amounts can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets and liabilities 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 current and deferred tax calculations relate to complex fact patterns for which assessments of likelihood are judgemental and not susceptible to precise determination. The recorded and unrecorded deferred tax asset and liability amounts at the end of the reporting year for the Group and the Trust are disclosed in Note 9.

3. **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group; (ii) One entity is an associate or joint venture of the other entity; (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); or (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.1 Related parties:

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

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

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(cont'd)*

3.1 Related parties: *(cont'd)*

Significant related party transactions:

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

	Group		Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
The parent company of the Manager				
Property rental income	50,173	27,305	–	–
The Manager				
Manager's management fees expense	5,251	3,030	5,251	3,030
The Trustee				
Trustee fees expense	193	127	193	127

The parent company of the Manager is PT Lippo Karawaci Tbk, incorporated in Indonesia and it is a substantial unitholder.

The Indonesia properties are leased to a related party. The related party has provided bank guarantees of $25,686,509 (2010: $25,005,204) in lieu of the security deposits for rental income from the properties. These guarantees which expired in December 2011 have been renewed up to December 2012.

Also see Note 18 on the acquisition fees payable to the Manager.

The Group and the Trust have no employees. All the required services are provided by the Manager and others.

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

(A) Trustee's Fees

Under the Trust Deed, the Trustee is entitled to a fee not exceeding 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 subject to review every three years.

(B) Manager's 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 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. The Manager may opt to receive base fee in the form of units and/or cash.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(cont'd)*

3.1 Related parties: *(cont'd)*

(B) Manager's Fees *(cont'd)*

(ii) A performance fee 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 year. NPI in relation to a real estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a SPC, and in relation to any year or part thereof, means its property income less property operating expenses for such real estate for that 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 determined at 1.0% of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

(iv) A divestment fee at 0.5% of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

4. GROSS REVENUE

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Rental income	54,006	30,274	3,028	2,969
Dividend income from subsidiaries	–	–	32,302	20,121
	54,006	30,274	35,330	23,090

5. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Property tax	106	231	106	231
Valuation expenses	150	92	28	38
Insurance expenses	54	47	–	–
Professional fees	216	90	3	–
Incorporation costs	77	–	–	–
Other expenses	39	1	–	–
Other deductions	(72)	(62)	(72)	–
	570	399	65	269

6. MANAGER'S MANAGEMENT FEES

	Group and Trust 2011 $'000	Group and Trust 2010 $'000
Base fees	385	1,536
Performance fees	367	409
Base and performance fees settled in units	4,499	1,085
	5,251	3,030

7. FINANCE COSTS

	Group and Trust 2011 $'000	Group and Trust 2010 $'000
Interest expense	3,202	2,022
Amortisation of borrowing costs	576	209
	3,778	2,231

8. OTHER EXPENSES

	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Foreign exchange adjustment loss	1,182	17	1,186	–
Handling and processing fees	128	103	128	103
Investor relation expenses	65	62	65	62
Listing expenses	25	25	25	25
Other expenses	–	7	–	7
Professional fees	296	257	296	257
Project expenses	–	63	–	63
Rights issue related expenses	–	435	–	435
	1,696	969	1,700	952

Total fees to auditors (included in property operating expenses (Note 5) and other expenses (Note 8)):

	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Audit fees to the independent auditors of the Trust	221	102	181	91
Audit fees to the other independent auditors	84	36	–	–
Non-audit fees to the independent auditors of the Trust	14	19	14	19

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

9. INCOME TAX

9A. Components of Tax Expense (Income) Recognised in Profit or Loss Include:

	Group		Trust	
	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000
Current tax expense:				
Current tax expense	8,767	4,973	–	–
Subtotal	8,767	4,973	–	–
Deferred tax expense:				
Deferred tax expense (income)	897	5,513	(1,135)	528
Subtotal	897	5,513	(1,135)	528
Total income tax expense (income)	9,664	10,486	(1,135)	528

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17.0% (2010: 17.0%) to profit before income tax as a result of the following differences:

	Group		Trust	
	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000
Total return before income tax	60,615	79,986	29,431	19,606
Income tax expense at the above rate	10,305	13,598	5,003	3,333
Non-deductible/(not liable to tax) items	3,291	39	(6,784)	(3,058)
Effect of different tax rates in different countries	(4,578)	(3,404)	–	–
Tax transparency	646	253	646	253
Total income tax expense (income)	9,664	10,486	(1,135)	528

The amount of current income taxes payable as at the end of the reporting year was $980,000 (2010: $633,000) for the Group. Such an amount is net of tax advances, which, according to the tax rules, were to be paid before the end of the reporting year.

There is a tax ruling issued by the Inland Revenue Authority of Singapore (the "IRAS") to grant tax transparency treatment on rental and other related income derived by the Trust. 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 the Trust out of such taxable income are subject to tax in the hands of unitholders, unless they are exempt from tax on such distributions. For taxable income that is not distributed, tax on such amount of taxable income will be assessed on the Trust.

9B. Deferred Tax Expense (Income) Recognised in Profit or Loss Include:

	Group		Trust	
	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000
Deferred tax relating to the changes in fair value of investment properties	897	5,513	(1,135)	528

9. INCOME TAX *(cont'd)*

9C. Deferred Tax Balance in the Statement of Financial Position:

	Group 2011 $'000	Group 2010 $'000 (Restated)	Group 1 Jan 2010 $'000 (Restated)	Trust 2011 $'000	Trust 2010 $'000
Deferred tax assets/(liabilities) recognised in profit or loss:					
Deferred tax relating to the changes in fair value of investment properties	(29,753)	(28,856)	(23,343)	472	(664)

Presented in the statement of financial position as follows:

	Group 2011 $'000	Group 2010 $'000 (Restated)	Group 1 Jan 2010 $'000 (Restated)	Trust 2011 $'000	Trust 2010 $'000
Deferred tax liabilities	(30,225)	(28,856)	(23,343)	–	(664)
Deferred tax assets	472	–	–	472	–
Net balance	(29,753)	(28,856)	(23,343)	472	(664)

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

Also see Note 12.

At the end of the reporting year, the aggregate amounts of temporary differences associated with investments in investees for which deferred tax liabilities have not been recognised were as follows. These are related to the fair values gains on investment properties in the foreign subsidiaries which may be subject to withholding tax if paid as dividends on realisation of the fair value gains. As mentioned in the accounting policy in Note 2, no liability has been recognised in respect of these differences:

	Group 2011 $'000	Group 2010 $'000 (Restated)
Foreign subsidiaries	29,247	27,768

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

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	
	2011	2010 (Restated)
Denominator: Weighted average number of units		
Basic and diluted	625,223,897	385,200,545
	$'000	$'000
Numerator: Earnings attributable to unitholders		
Total return after income tax	50,951	69,500
	Cents	Cents
Earnings per unit (in cents)		
Basic and diluted	8.15	18.04

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

The diluted earnings per unit is the same as the basic earnings per unit as there were no dilutive instruments in issue during the reporting year.

11. DISTRIBUTION PER UNIT

	Group and Trust			
	2011 Cents per unit	2010 Cents per unit	2011 $'000	2010 $'000
Based on the number of units in issue at the dates of distributions	7.01	6.63	43,934	21,346

Distribution Type

Name of Distribution Distribution during the period (interim distributions)

Distribution Type Income/Capital

Distribution Rate	2011 Cents per unit	2010 Cents per unit	2011 $'000	2010 $'000
Taxable Income [(a)]:	0.22	0.41	1,378	1,132
Tax-Exempt Income [(b)]:	3.60	4.78	22,545	13,205
Capital [(c)]:	0.92	0.57	5,762	1,575
Other gain [(d)]:	0.34	–	2,134	–
Subtotal:	5.08	5.76	31,819	15,912

11. DISTRIBUTION PER UNIT *(cont'd)*

Distribution Type *(cont'd)*

Name of Distribution Distribution declared subsequent to end of the reporting year (final distribution) (See Note 27)

Distribution Type Income/Capital

Distribution Rate	2011 Cents per unit	2010 Cents per unit	2011 $'000	2010 $'000
Taxable Income [(a)]:	0.08	0.07	450	414
Tax-Exempt Income [(b)]:	1.19	0.72	7,476	4,498
Capital [(c)]:	0.32	0.08	2,014	522
Other gain [(d)]:	0.34	–	2,175	–
Subtotal:	1.93	0.87	12,115	5,434

Name of Distribution Distribution during the period (interim distributions) and distribution declared subsequent to end of the reporting year (final distribution)

Distribution Type Income/Capital

Distribution Rate	2011 Cents per unit	2010 Cents per unit	2011 $'000	2010 $'000
Taxable Income [(a)]:	0.30	0.48	1,828	1,546
Tax-Exempt Income [(b)]:	4.79	5.50	30,021	17,703
Capital [(c)]:	1.24	0.65	7,776	2,097
Other gain [(d)]:	0.68	–	4,309	–
Total:	7.01	6.63	43,934	21,346

(a) Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from Singapore income tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. The Monetary Authority of Singapore has announced that the 10% tax concession which expired on 17 February 2010 has been renewed for the period from 18 February 2010 to 31 March 2015.

All other investors will receive their distributions after deduction of tax at the rate of 17% (2010: 17%).

(b) Tax-Exempt Income Distribution is exempt from Singapore income tax in the hands of all unitholders.

(c) Capital Distribution represents a return of capital to unitholders and for Singapore income tax purposes is therefore not subject to Singapore income tax. For unitholders who are liable to Singapore income tax on profits from the sale of First REIT units, the amount of Capital Distribution will be applied to reduce the cost base of their First REIT units for Singapore income tax purposes.

(d) Distribution of other gain is not a taxable distribution to the unitholders.

Current Distribution Policy:

The Trust's current distribution policy is to distribute at least 90.0% (2010: 90.0%) of its taxable and tax-exempt income (after deduction of applicable expenses) and certain capital receipts. The capital receipts comprise amounts received by the Trust from redemption of redeemable preference shares in the Singapore subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

12. INVESTMENT PROPERTIES

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At valuation:				
Fair value at beginning of year	612,800	340,910	62,400	54,600
Additions at cost #a	16,930	210,755	–	–
Enhancements at cost	2,025	4,693	2,025	4,693
Disposals	(28,200)	–	(28,200)	–
Increase/(decrease) in fair value included in statement of total return under increase/(decrease) in fair values of investment properties	14,426	56,442	(225)	3,107
Fair value at end of year	617,981	612,800	36,000	62,400
Rental income from investment properties	54,006	30,274	3,028	2,969
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the reporting year	570	399	65	269

The Group's portfolio consists of properties located in Indonesia, Singapore and South Korea (see the statements of portfolio).

These investment properties include the mechanical and electrical equipment located in the respective properties.

#a. The additions in 2011 are for the acquisition of Sarang Hospital in South Korea. The acquisitions of new properties in 2010 are disclosed in Note 18.

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 end of the reporting year 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 profit or loss. The fair value is determined periodically on a systematic basis at least once yearly. The valuations were based on the discounted cash flow method. The fair value is regarded as the lowest level for fair value measurement as it is from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The key assumptions for the fair value calculations are as follows:

		Indonesia 2011	Indonesia 2010	Singapore 2011	Singapore 2010	South Korea 2011
1.	Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties	10.53% to 11.00%	11.50%	8.25%	8.00% to 8.25%	12.00%
2.	Growth rates based on escalation rate in the lease agreements	#(A)	#(A)	2.00%	2.00%	2.00%
3.	Cash flow forecasts derived from the most recent financial budgets and plans approved by management	10 years	5 – 10 years	10 years	10 years	10 years
4.	Terminal rate	10.25% to 13.50%	9.50% to 13.50%	6.50%	6.00% to 6.50%	14.00%
5.	Dates of valuations	28 Dec	6 Sep and 28 Dec	28 Dec	28 Dec	28 Dec

#(A) The growth rate for the base rent is based on 2.00% (2010: 2.00%) of the preceding 12 months base rent and the growth rate for the variable rent is based on 0.75% to 2.00% (2010: 0.75% to 2.00%) of the tenant's gross revenue for the preceding year.

12. INVESTMENT PROPERTIES *(cont'd)*

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

The fair values for 2011 were made by the following firms of independent professional valuers:

1. The five Indonesian properties – KJPP Willson dan Rekan in association with Knight Frank

2. The one Indonesian property – KJPP Rengganis, Hamid & Rekan in strategic alliance with CB Richard Ellis (Pte) Ltd

3. All the Singapore properties – Colliers International Consultancy & Valuation (Singapore) Pte Ltd

4. The South Korea property – Cushman & Wakefield (Korea) Ltd

The increasing rental revenue from the investment properties was considered sufficient evidence to justify the increase in the fair values.

There are no restrictions on the realisability of investment properties or the remittance of income and proceeds from disposal.

All the properties (except Sarang Hospital) are mortgaged as security for the bank facilities (Note 20).

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") (Right to Build). 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". 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.

The investment properties are leased out under operating leases (also see Notes 3 and 26).

Sensitivity analysis:

	2011 $'000	2010 $'000
Indonesia properties:		
A hypothetical 10% increase in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	(32,400)	(26,190)
A hypothetical 10% decrease in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	35,900	28,820
A hypothetical 10% increase in the rental income would have an effect on profit before tax of	23,300	53,390
A hypothetical 10% decrease in the rental income would have an effect on profit before tax of	(23,000)	(53,360)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

12. INVESTMENT PROPERTIES *(cont'd)*

Sensitivity analysis: *(cont'd)*

	2011 $'000	2010 $'000
Singapore properties:		
A hypothetical 10% increase in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	(1,100)	(1,700)
A hypothetical 10% decrease in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	1,800	1,810
A hypothetical 10% increase in the rental income would have an effect on profit before tax of	3,900	3,700
A hypothetical 10% decrease in the rental income would have an effect on profit before tax of	(3,200)	(3,600)

	2011 $'000	2010 $'000
South Korea property:		
A hypothetical 10% increase in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	(1,035)	–
A hypothetical 10% decrease in the pre-tax discount rate applied to the discounted cash flows would have an effect on profit before tax of	1,294	–
A hypothetical 10% increase in the rental income would have an effect on profit before tax of	1,811	–
A hypothetical 10% decrease in the rental income would have an effect on profit before tax of	(1,682)	–

Borrowing costs included in the cost of qualifying assets during the reporting year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.1% (2010: 4.1%) on the expenditure on such assets. The amounts are as follows:

	Group		Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Borrowing costs capitalised included in additions during the year	61	171	61	171
Accumulated interest capitalised included in the total costs	242	181	242	181

13. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2011	2010
	$'000	$'000
Cost at the beginning of the year	311,654	176,543
Additions at cost	20,654	137,181
Redemption of redeemable preference shares	(7,777)	(2,070)
Cost at the end of the year	324,531	311,654
Total cost comprising:		
Unquoted equity shares at cost	258,139	254,145
Redeemable preference shares at cost	66,392	57,509
Total at cost	324,531	311,654
Net book value of subsidiaries	480,801	445,499

The subsidiaries are listed in Note 31 below. Also see Note 20.

14. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	79	1,053	71	1,053
Related party (Note 3)	1,284	1,250	–	–
Subtotal	1,363	2,303	71	1,053
Other receivables:				
Subsidiaries	–	–	2,161	1,691
Outside parties	6,952	9,691	8	3
Subtotal	6,952	9,691	2,169	1,694
Total trade and other receivables	8,315	11,994	2,240	2,747

The other receivables from outside parties are mainly recoverable taxes to be paid over to the vendors of the properties acquired in 2010.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

15. LOAN RECEIVABLE

	Trust	
	2011 $'000	2010 $'000
Loan receivable from subsidiary:		
Non-current portion	71,356	75,546
Current portion	4,191	4,192
Total	75,547	79,738

The agreement for the loan receivable provides that it is unsecured, with 5% of interest and repayable by quarterly installments over 20 years from 30 December 2010. The loan is carried at amortised cost using the effective interest method based on market rates. The carrying value of the loan approximates the fair value (Level 2).

16. OTHER ASSETS, CURRENT

	Group		Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Prepayments	15	1,093	–	1,075
Tax recoverable	1,108	1,091	–	–
	1,123	2,184	–	1,075

17. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Not restricted in use	32,725	27,593	25,917	25,893

The rate of interest for the cash on interest earning accounts ranged from 0.15% to 0.38% (2010: 0.09% to 0.32%) per annum.

17A. Cash and Cash Equivalents in the Statement of Cash Flows:

	Group		Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
As shown above	32,725	27,593	25,917	25,893

17B. Non-Cash Transactions:

There were units issued as settlement of the Manager's management fees (Note 18).

18. UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Group			Trust	
	2011 $'000	2010 $'000 (Restated)	1 Jan 2010 $'000 (Restated)	2011 $'000	2010 $'000
Movements:					
Net assets attributable to unitholders at beginning of the year	485,872	268,763	255,098	349,010	182,323
Net assets attributable to unitholders at end of the year	505,299	485,872	268,763	346,959	349,010
Units in issue at the end of the year	627,680,294	622,195,888	275,474,366	627,680,294	622,195,888
	Cents	Cents	Cents	Cents	Cents
Net assets attributable to unitholders per unit (in cents)	80.50	78.08	97.56	55.28	56.09

Movements in the units are as follows:

	Group and Trust	
	2011	2010
Balance at beginning of the year	622,195,888	275,474,366
Issuance of new units for management fee	5,484,406	1,057,140
Issuance of rights units	–	345,664,382
Balance at end of the year	627,680,294	622,195,888

Under the Trust Deed, every unit carries the same voting rights. Each unit represents an equal and undivided beneficial interest in the assets of the Trust. Units have no conversion, retraction, redemption or pre-emptive rights. 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 the Trust; and
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust.

No unitholder has a right to require that any assets of the Trust 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:

- The Trust 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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

18. UNITS IN ISSUE AND 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 the Trust in the event that the liabilities of the Trust exceeds its assets.

Issues in 2010:

Pursuant to the approval from the unitholders at the extraordinary general meeting held on 29 November 2010 the Trust:

1) Acquired Mochtar Riady Comprehensive Cancer Centre, which is located at Jalan Garnisun Dalam No. 2-3, Semanggi, Jakarta 12930, Indonesia ("MRCCC") for a purchase consideration of $170.5 million from Wincatch Limited ("Wincatch"), which wholly owned MRCCC. Wincatch is not a related party. The acquisition of MRCCC was carried out by First REIT indirectly via the acquisition of Gold Capital Pte. Ltd., a company incorporated in Singapore which, directly and through its wholly-owned subsidiary, Higrade Capital Pte. Ltd., a company incorporated in Singapore, wholly owned PT Primatama Cemerlang, a company incorporated in Indonesia which in turn holds MRCCC.

2) Acquired Siloam Hospitals Lippo Cikarang, which is located at Jalan Mohammad Husni Thamrin Kav. 105, Lippo Cikarang, Bekasi 17550, Indonesia ("SHLC") for a purchase consideration of $35.0 million from PT East Jakarta Medika, which is 90.8% owned by PT Lippo Karawaci Tbk (a related party). First REIT acquired SHLC through its indirect wholly-owned subsidiary, PT Graha Pilar Sejahtera, a company incorporated in Indonesia which is held by Platinum Strategic Investments Pte. Ltd., a company incorporated in Singapore, and its wholly-owned subsidiary, Ultra Investments Pte. Ltd., a company incorporated in Singapore.

3) Made a rights issue of units. A total number of 345,664,382 rights units were issued on a renounceable and fully underwritten basis to eligible unitholders on a basis of an agreed rights ratio on a pro rata basis of five (5) rights units for every four (4) existing units at the issue price of $0.50. The issue raised gross proceeds of approximately $172.8 million. These new rights units are entitled to participate in future distributions.

The acquisitions and issues of the new units were completed on 31 December 2010.

In connection with the MRCCC acquisition, acquisition fee was payable to the Manager pursuant to the Trust Deed which shall be payable in the form of units or cash. The Manager elected to receive the acquisition fee in cash. The value was $1,705,000.

In connection with the SHLC acquisition, acquisition fee was payable to the Manager pursuant to the Trust Deed which shall be payable in the form of units. The Manager elected to receive the SHLC acquisition fee in units at 10 days volume weighted average traded price ("VWAP") pricing per unit before the issue date. The value was $350,000. The professional and other fees and expenses totalling $5,230,000 were incurred in connection with the MRCCC and SHLC acquisitions.

In connection with the rights issued units and the acquisition of the two properties during the reporting year the independent auditors were paid fees and expenses totalling $150,000 for their services as reporting accountants. The unit issue expenses totalled $4,913,000.

18. UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS *(cont'd)*

Issues in 2011:

At the end of the reporting year 1,424,534 (2010: 537,202) units were issuable as settlement for the Manager's management fees for the last quarter of the reporting year.

The issue price for determining the number of units issued and issuable as Manager's management fees is calculated based on the VWAP 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 date.

Capital Management:

The objectives when managing capital are: to safeguard the Trust's 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 services commensurately with the level of risk. The Manager seeks to balance the need for maintaining an attractive payout ratio with maintaining adequate capital to grow the business by acquisition and internal growth. There were no changes in the approach to capital management during the reporting year. The Manager manages the capital structure and makes adjustments to it where necessary if possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Manager may adjust the amount of dividends paid to unitholders, return capital to unitholders, issue new units, or sell assets to reduce debt. Also see Note 11 on the distribution policy.

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

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000 (Restated)	$'000	$'000
Net debt:				
All external current and non-current borrowings	97,791	57,350	97,791	57,350
Less: Cash and cash equivalents	(32,725)	(27,593)	(25,917)	(25,893)
Net debt	65,066	29,757	71,874	31,457
Net capital:				
Issued equity	344,714	346,350	344,714	346,350
Retained earnings	159,492	139,522	2,245	2,660
Foreign exchange reserves	1,093	–	–	–
Net capital	505,299	485,872	346,959	349,010
Debt-to-adjusted capital ratio	12.88%	6.12%	20.72%	9.01%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

18. UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS *(cont'd)*

Capital Management: *(cont'd)*

The unfavourable change in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in borrowings. There was also a favourable change with improved retained earnings.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have issued equity with a free float of at least 10% of the units. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the SGX-ST 10% limit throughout the reporting 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 reporting year.

The Manager monitors the level, nature of debt and leverage ratios, along with the compliance with debt covenants continuously to ensure that sufficient resources exist.

19. FINANCIAL RATIOS

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000 (Restated)	$'000	$'000
Expenses to average net assets ratio - excluding performance related fee (1)	1.44%	0.70%	2.05%	0.98%
Expenses to average net assets ratio - including performance related fee (1)	0.90%	1.09%	1.29%	1.55%
Portfolio turnover ratio (2)	N/M	N/M	N/M	N/M
Rent/EBITDA ratio of Indonesian properties (3)	58.87%	49.98%	–	–

(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 excluding any interest expenses, foreign exchange losses, tax deducted at source and costs associated with the purchase of investments.

(2) Turnover ratio means the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales of underlying investments of a scheme expressed as a percentage of daily average net asset value.

(3) The Manager has given an undertaking to the SGX-ST that for so long as it remains the Manager of the Trust and PT Lippo Karawaci Tbk 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. The EBITDA for the operations renting the Indonesian properties is calculated before the rental expense.

20. OTHER FINANCIAL LIABILITIES

	Group and Trust	
	2011	2010
	$'000	$'000
Non-current:		
Bank loan A (secured)	–	57,350
Bank loan B (secured)	49,361	–
Non-current, total	49,361	57,350
Current:		
Bank loan A (secured)	30,462	–
Bank loan C (secured)	17,968	–
Current, total	48,430	–
Total	97,791	57,350
Fair value (Level 2)	98,652	57,728

Bank loan A is due in June 2012. Bank loan B is due in January 2015. These two loans are under multi-currency transferable term loan facilities of up to $92,600,000. Bank loan C is due in June 2012.

All the amounts are at floating interest rates.

The range of floating interest rates per annum for the above borrowings is from 3.35% to 3.73% (2010: 3.86% to 4.12%) per annum.

The fair value of non-current bank loans was estimated by discounting the future cash flows payable under the terms of the loan using the reporting year end market interest rate of 4.2% (2010: 4.2%) (Level 2).

The bank loan agreements provide among other matters for the following:

1) First legal mortgage over all the properties of the Group except for the property in South Korea.

2) Assignment to the bank of all of the Group's rights, titles, interest and benefits under any leases, tenancies, sales proceeds and cash flows in respect of the Indonesian properties and the Singapore properties.

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

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

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

6) Charge of all of the Singapore subsidiaries' shares in the Indonesian subsidiaries.

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

8) Assignment of certain letters of credit with a minimum total of $14,100,000.

9) That PT Lippo Karawaci Tbk's interest in the Trust is not less than 20.1%.

10) Need to comply with certain financial covenants.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

21. TRADE AND OTHER PAYABLES, CURRENT

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	97	589	77	208
Related parties (Note 3)	1,196	523	1,196	523
Subtotal	1,293	1,112	1,273	731
Other payables:				
Subsidiary (Note 3)	–	–	16,203	16,905
Related party (Note 3)	52	52	–	–
Other payables	10,209	65,758	674	54,823
Subtotal	10,261	65,810	16,877	71,728
Total trade and other payables	11,554	66,922	18,150	72,459

The other payable as at 31 December 2011 are mainly taxes payable which are to be borne by the vendors (see Note 14).

22. OTHER LIABILITIES, CURRENT

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income	11,343	11,047	65	133
Security deposits	3,424	2,671	1,742	2,671
	14,767	13,718	1,807	2,804

23. FINANCIAL INFORMATION BY OPERATING SEGMENTS

Information about Reportable Segment Profit or Loss and Assets

Disclosure of information about operating segments is made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

The Group is engaged in a single business of investing in investment properties in the healthcare and/or healthcare-related sector. During the reporting year the Group had three reportable operating segments: Indonesia operations, Singapore operations and South Korea operations. For management purposes the Group is organised into one major strategic operating segment that offers all the investment properties for healthcare and/or healthcare-related purposes.

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). The liabilities are not analysed as the largest amount, namely the borrowings, are centrally managed.

There are no significant inter-segment transactions. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement is to evaluate the properties based on their returns and yields.

23. FINANCIAL INFORMATION BY OPERATING SEGMENTS *(cont'd)*

Information about Reportable Segment Profit or Loss and Assets *(cont'd)*

	Indonesia 2011 $'000	Singapore 2011 $'000	South Korea 2011 $'000	Total 2011 $'000
Profit or loss and reconciliation				
Gross revenue	50,173	3,028	805	54,006
Net property income	49,892	2,861	683	53,436
Interest income	46	58	–	104
Manager's management fees				(5,251)
Trustee fees				(193)
Finance costs				(3,778)
Other expenses				(1,696)
Net income before the undernoted				42,622
Gain on divestment of investment property	–	3,567	–	3,567
Increase/(decrease) in fair values of investment properties	15,330	(225)	(679)	14,426
Total return for the year before income tax				60,615
Income tax (expense)/income	(10,771)	1,135	(28)	(9,664)
Total return for the year after income tax				50,951
Assets				
Segment assets including properties	578,709	62,564	19,343	660,616
Total assets				660,616

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

23. FINANCIAL INFORMATION BY OPERATING SEGMENTS *(cont'd)*

Information about Reportable Segment Profit or Loss and Assets *(cont'd)*

	Indonesia 2010 $'000 (Restated)	Singapore 2010 $'000	Total 2010 $'000 (Restated)
Profit or loss and reconciliation			
Gross revenue	27,305	2,969	30,274
Net property income	27,220	2,655	29,875
Interest income	8	18	26
Manager's management fees			(3,030)
Trustee fees			(127)
Finance costs			(2,231)
Other expenses			(969)
Net income before the undernoted			23,544
Increase in fair values of investment properties	53,335	3,107	56,442
Total return for the year before income tax			79,986
Income tax expense	(9,958)	(528)	(10,486)
Total return for the year after income tax			69,500
Assets			
Segment assets including properties	564,077	90,494	654,571
Total assets			654,571

Revenues are attributed to countries on the basis of the location of the investment properties. The non-current assets are analysed by the geographical area in which the assets are located.

The Group has two customers in Indonesia, three in Singapore and one in South Korea.

24. FINANCIAL INFORMATION ON FINANCIAL INSTRUMENTS

24A. Classification of Financial Assets and Liabilities

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

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and bank balances	32,725	27,593	25,917	25,893
Loans and receivables	8,315	11,994	77,787	82,485
At end of year	41,040	39,587	103,704	108,378
Financial liabilities:				
Borrowings at amortised cost	97,791	57,350	97,791	57,350
Trade and other payables at amortised cost	11,554	66,922	18,150	72,459
At end of year	109,345	124,272	115,941	129,809

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

24B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The guidelines include the followings:

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 good market practices.

The chief financial officer of the Manager who monitors the procedures reports to the management of the Manager.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

24. FINANCIAL INFORMATION ON FINANCIAL INSTRUMENTS *(cont'd)*

24C. Fair Values of Financial Instruments

Fair value of financial instruments stated at amortised cost in the statement of financial position

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value except as disclosed in Note 20.

24D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables and other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets and other financial instruments: the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any commitments on borrowings at the end of the reporting year. Credit risk on cash balances with banks and derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. 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 is a significant concentration of credit risk, as the exposure is spread over a small number of counter-parties and customers as disclosed in Note 23 on financial information by operating segments.

As at the end of the reporting year there were no trade receivable amounts that were impaired or overdue.

24E. Liquidity Risk

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

	Borrowings 2011 $'000	Trade and other payables 2011 $'000	Total 2011 $'000
Group			
Less than 1 year	51,351	11,554	62,905
1 – 3 years	54,084	–	54,084
At end of year	105,435	11,554	116,989
Trust			
Less than 1 year	51,351	18,150	69,501
1 – 3 years	54,084	–	54,084
At end of year	105,435	18,150	123,585

24. FINANCIAL INFORMATION ON FINANCIAL INSTRUMENTS *(cont'd)*

24E. Liquidity Risk *(cont'd)*

	Borrowings 2010 $'000	Trade and other payables 2010 $'000	Total 2010 $'000
Group			
Less than 1 year	2,156	66,922	69,078
1 – 3 years	58,841	–	58,841
At end of year	60,997	66,922	127,919
Trust			
Less than 1 year	2,156	72,459	74,615
1 – 3 years	58,841	–	58,841
At end of year	60,997	72,459	133,456

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2010: 30 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

Bank facilities:

	Group and Trust 2011 $'000	Group and Trust 2010 $'000
Undrawn borrowing facilities	–	62,272

The borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the forecasted 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 Code on Collective Investment Schemes issued by the Monetary Authority of Singapore concerning limits on total borrowings.

The Manager is confident that cash from operating activities, together with available bank credit facilities, will be sufficient to meet the current requirements to support ongoing operations, capital expenditures, and debt repayment obligations. The Trust's structure necessitates raising funds through debt financings and the capital markets to fund strategic acquisitions and growth capital expenditures. The Manager also ensures that there are sufficient funds for declared and payable distributions and any other commitments.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

24. FINANCIAL INFORMATION ON FINANCIAL INSTRUMENTS *(cont'd)*

24F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group and Trust	
	2011	2010
	$'000	$'000
Financial liabilities:		
Floating rates	97,791	57,350

The floating rate debt instruments are with interest rates that are re-set regularly at short notice. The interest rates are disclosed in the respective notes.

Sensitivity analysis:	Group and Trust	
	2011	2010
	$'000	$'000
Financial liabilities:		
A hypothetical variation in interest rates by 10 basis points with all other variables held constant, would have an increase/decrease in pre-tax profit for the year by	987	574

The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

24G. Foreign Currency Risk

Analysis of the significant amounts denominated in non-functional currency:

	US dollar
	$'000
2011:	
Financial liabilities:	
Borrowings	17,968

There were no significant amounts for 2010.

Sensitivity analysis: A hypothetical 10% strengthening in the exchange rate of the functional currency, Singapore dollar, against the US dollar, with all other variables held constant would have a favourable effect on post-tax profit of $1,801,000. For similar rate weakening of the functional currency against the relevant foreign currency above, there would be comparable impacts in the opposite direction on the profit or loss.

25. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group and Trust	
	2011	2010
	$'000	$'000
Commitments on the enhancement project:		
The Lentor Residence	3,066	3,600
Adam Road Hospital	–	12,279
	3,066	15,879

26. OPERATING LEASE INCOME COMMITMENTS

At the end of the reporting year, the total of future minimum lease receivables under non-cancellable operating leases is as follows:

	Group		Trust	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	56,521	54,283	3,089	4,272
Later than one year and not later than five years	227,133	218,003	12,985	17,962
More than five years	361,552	396,276	1,112	6,601

The rental income for the year is disclosed in Note 4.

The Group has entered into commercial property leases for healthcare and/or healthcare related buildings. The non-cancellable leases have remaining non-cancellable lease terms and the tenants' options for renewals as disclosed in the statements of portfolio.

Generally, the lease agreements provide that the lessees 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 subject to a floor of zero percentage and a cap of an agreed percentage. The variable rent is calculated based on a percentage of the growth of the lessee's gross revenue in the preceding calendar year. No contingent 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 (2010: $1,248,000) for rental income from one of the Singapore properties. Also see Note 3.

27. EVENTS AFTER THE END OF THE REPORTING YEAR

On 26 January 2012, a final distribution of 1.93 cents per unit was declared totalling $12,115,000 in respect of the quarter ended 31 December 2011.

On 26 January 2012, a total of 1,424,534 new units were issued at the issue price of 75.27 cents per unit as payment to the Manager for management fees for the quarter ended 31 December 2011. 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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

28. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the reporting year ended 31 December 2011 the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements except as disclosed in Note 30.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Amendments to)
FRS 12	Deferred Tax (Amendments to) – Recovery of underlying Assets
FRS 24	Related Party Disclosures (Revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 32	Classification of Rights Issues (Amendments to) (*)
FRS 34	Interim Financial Reporting (Amendments to)
FRS 103	Business Combinations (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets
INT FRS 113	Customer Loyalty Programmes (Amendments to) (*)
INT FRS 114	Prepayments of a Minimum Funding Requirement (Revised) (*)
INT FRS 115	Agreements for the Construction of Real Estate (*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments

(*) Not relevant to the entity.

Amendments to FRS 12 - Deferred Tax: Recovery of Underlying Assets require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The purpose of the amendments is to provide an exception to the principle that the measurement of deferred tax liabilities and deferred tax assets should reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. It states that, in specified circumstances, the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale.

29. FUTURE CHANGES IN FINANCIAL REPORTING STANDARDS

The following new or revised Singapore Financial Reporting Standards 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 result in material adjustments to the financial position, results of operations, or cash flows for the following reporting year.

FRS No.	Title	Effective date for reporting years beginning on or after
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 Jul 2012
FRS 19	Employee Benefits (*)	1 Jan 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2011
FRS 27	Separate Financial Statements	1 Jan 2013
FRS 28	Investments in Associates and Joint Ventures (*)	1 Jan 2013
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets	1 Jul 2011
FRS 110	Consolidated Financial Statements	1 Jan 2013
FRS 111	Joint Arrangements (*)	1 Jan 2013
FRS 112	Disclosure of Interests in Other Entities	1 Jan 2013
FRS 113	Fair Value Measurements	1 Jan 2013

(*) Not relevant to the entity.

30. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS OF COMPARATIVE FIGURES

Effective from 1 January 2011, certain new or revised Singapore Financial Reporting Standards were adopted as mentioned in Note 28. Adoption of these has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below:

	After $'000	Before $'000	Difference $'000
Statement of financial position:			
Deferred tax liabilities at 1 January 2010	23,343	21,079	2,264
Deferred tax liabilities at 31 December 2010	28,856	35,636	(6,780)
Statement of total returns:			
Income tax expense for 2010	10,486	19,530	(9,044)
Total return for the year after income tax for 2010	69,500	60,456	9,044
Statement of changes in unitholders' funds:			
Retained earnings at 1 January 2010	89,130	91,394	(2,264)
Retained earnings at 31 December 2010	139,522	132,742	6,780
	Cents	**Cents**	**Cents**
Earnings per unit in cents:			
Earning per unit in cents for 2010	18.04	15.69	2.35

Deferred Tax: Recovery of Underlying Assets

The deferred tax relating to an asset is dependent on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in FRS 40 Investment Property. The Group has investment properties on freehold land whereby the land would be on the presumption that the carrying amount of the underlying asset will be recovered entirely by sale in accordance with the new amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets. The fair value of the land has to be ascertained separately. In prior years, the deferred tax amount was based on the recovery of the carrying amount of the asset through use method. The amendments are obligatory from 1 January 2012 but management has made an earlier application retrospectively for the reporting years presented. The adjustments required are disclosed above. There is no impact on the distributable amount.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 December 2011

31. LISTING OF INVESTMENTS IN SUBSIDIARIES

All the subsidiaries are wholly-owned and they are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of Investments	
	2011 $'000	2010 $'000
Gold Capital Pte. Ltd. (b) Singapore Investment holding	100,556	101,250
Higrade Capital Pte. Ltd. (b) Singapore Investment holding	853	853
GOT Pte. Ltd. (b) Singapore Investment holding	90,367	91,141
Henley Investments Pte. Ltd. (b) Singapore Investment holding	47,465	48,093
Kalmore Investments Pte. Ltd. (b) Singapore Investment holding (Incorporated on 28 June 2011)	16,543	–
Lovage International Pte. Ltd. (b) Singapore Investment holding	18,852	19,313
Platinum Strategic Investments Pte. Ltd. (b) Singapore Investment holding	34,482	35,930
Ultra Investments Pte. Ltd. (b) Singapore Investment holding	321	321
Primerich Investments Pte. Ltd. (b) Singapore Investment holding	15,720	15,926
Kalmore (Korea) Limited (a) South Korea Owners of Sarang Hospital (Acquired on 7 July 2011)	3,887	–
PT Graha Indah Pratama (a) Indonesia Owners of Siloam Hospitals Kebon Jeruk	10,333	10,333

31. LISTING OF INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of Investments 2011 $'000	Cost of Investments 2010 $'000
PT Graha Pilar Sejahtera [a] Indonesia Owners of Siloam Hospitals Lippo Cikarang	8,306	8,306
PT Karya Sentra Sejahtera [a] Indonesia Owners of Imperial Aryaduta Hotel & Country Club	20,019	20,019
PT Primatama Cemerlang [a] Indonesia Owners of Mochtar Riady Comprehensive Cancer Centre	17,065	17,065
PT Sentra Dinamika Perkasa [a] Indonesia Owners of Siloam Hospitals Lippo Village	8,779	8,779
PT Tata Prima Indah [a] Indonesia Owners of Siloam Hospitals Surabaya	8,013	8,013

(a) Audited by RSM Aryanto Amir Jusuf & Mawar (RSM AAJ Associates) in Indonesia and Shinhan Accounting Corporation in South Korea, member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(b) Audited by RSM Chio Lim LLP in Singapore.

The investments include investment in redeemable preference shares that are redeemable at the option of the subsidiaries.

STATISTICS OF UNITHOLDINGS

As at 8 March 2012

Issued Units

There were 629,104,828 Units (voting rights: one vote per Unit) issued in First REIT as at 8 March 2012.

Distribution of Unitholdings

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 - 999	37	0.60	14,408	0.00
1,000 - 10,000	3,130	50.83	17,082,766	2.71
10,001 - 1,000,000	2,957	48.02	181,788,005	28.90
1,000,001 and above	34	0.55	430,219,649	68.39
TOTAL	**6,158**	**100.00**	**629,104,828**	**100.00**

Twenty Largest Unitholders

No.	Name of Unitholders	Number of Units	%
1.	OCBC SECURITIES PRIVATE LTD	128,411,800	20.41
2.	AMFRASER SECURITIES PTE. LTD.	78,675,625	12.51
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	40,932,239	6.51
4.	DBS NOMINEES PTE LTD	35,809,582	5.69
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	28,488,958	4.53
6.	UOB KAY HIAN PTE LTD	20,264,570	3.22
7.	BOWSPRIT CAPITAL CORPORATION LIMITED	18,454,828	2.93
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,944,750	1.42
9.	NG BAN HOCK	7,890,000	1.25
10.	BNP PARIBAS SECURITIES SERVICES SINGAPORE	7,020,728	1.12
11.	DBSN SERVICES PTE LTD	6,010,250	0.96
12.	RAFFLES NOMINEES (PTE) LTD	5,444,100	0.87
13.	PHILLIP SECURITIES PTE LTD	4,914,008	0.78
14.	OCBC NOMINEES SINGAPORE PTE LTD	3,548,155	0.56
15.	DB NOMINEES (S) PTE LTD	3,497,015	0.56
16.	BANK OF SINGAPORE NOMINEES PTE LTD	3,366,000	0.54
17.	CITIBANK CONSUMER NOMINEES PTE LTD	2,602,000	0.41
18.	BMT A/C ESTATE OF MSE ANGULLIA (WAKAFF) CLAUSE 7 TRUST	2,250,000	0.36
19.	MAYBANK KIM ENG SECURITIES PTE LTD	2,168,796	0.34
20.	MERRILL LYNCH (SINGAPORE) PTE LTD	2,039,540	0.32
	TOTAL	410,732,944	**65.29**

Substantial Unitholders

(As at 8 March 2012)

		No. of Units Direct Interest	No. of Units Deemed Interest
1.	Bridgewater International Ltd	123,750,000	-
2.	Lippo Karawaci Corporation Pte. Ltd. [1]	-	142,204,828
3.	PT Lippo Karawaci Tbk [2]	-	142,204,828

Notes:

1. Lippo Karawaci Corporation Pte. Ltd. is deemed to be interested in (i) 123,750,000 Units held by its wholly owned subsidiary, Bridgewater International Ltd; and (ii) 18,454,828 Units held by Bowsprit Capital Corporation Limited.
2. PT Lippo Karawaci Tbk is deemed to be interested in (i) 123,750,000 Units held by its indirect wholly owned subsidiary, Bridgewater International Ltd; and (ii) 18,454,828 Units held by Bowsprit Capital Corporation Limited.

Manager's Directors' Unitholdings

(As recorded in the Register of Directors' Unitholdings as at 21 January 2012)

		No. of Units Direct Interest	No. of Units Deemed Interest
1.	Albert Saychuan Cheok	530,000	-
2.	Dr Ronnie Tan Keh Poo @ Tan Kay Poo	15,000	2,788,800 [1]

Note:

1. Dr Ronnie Tan Keh Poo @ Tan Kay Poo is deemed to be interested in 2,138,050 Units held by his nominee, OCBC Nominees Singapore Pte Ltd and 385,000 Units held by his nominee CIMB Securities (Singapore) Pte Ltd. He is also deemed to be interested in 195,750 Units held by DBS Nominees Pte Ltd and 70,000 Units held by UOB Kay Hian Private Limited, both as nominees of his spouse Mdm Law Deborah.

Free Float

Based on the information made available to the Manager as at 8 March 2012, approximately 76.85% of the Units in First REIT are held in the hands of the Public. 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting ("**AGM**") of the holders of units of First Real Estate Investment Trust ("**First REIT**", and the holders of units of First REIT, "**Unitholders**") will be held at Capricorn Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Friday, 20 April 2012 at 1:30 p.m. to transact the following business:

1. To receive and adopt the Report of the Trustee, HSBC Institutional Trust Services (Singapore) Limited, Statement by the Manager, Bowsprit Capital Corporation Limited and the Audited Financial Statements of First REIT for the financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint RSM Chio Lim LLP as Auditors of First REIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. **(Resolution 2)**

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

3. That pursuant to Clause 5 of the trust deed constituting First REIT (as amended) (the "**Trust Deed**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Manager be authorised and empowered to:

   (a) (i) issue units in First REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

   (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

   provided that:

   (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued Units (excluding treasury Units, if any) in First REIT (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders of First REIT (including Units to be issued in pursuance of Instruments to be made or granted pursuant to this Resolution) shall not exceed twenty per centum (20%) of the total number of issued Units (excluding treasury Units, if any) in First REIT (as calculated in accordance with sub-paragraph (2) below);

   (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Units and Instruments shall be based on the total number of issued Units (excluding treasury Units, if any) in First REIT at the time of the passing of this Resolution, after adjusting for:

   (a) new Units arising from the conversion or exercise of the Instruments or any convertible securities;
   (b) new Units arising from exercising unit options or vesting of unit awards outstanding and subsisting at the time of the passing of this Resolution; and
   (c) any subsequent bonus issue, consolidation or subdivision of Units;

   (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed of First REIT for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore); and

(4) unless revoked or varied by Unitholders in a general meeting of First REIT, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next AGM of First REIT or the date by which the next AGM of First REIT is required by law to be held, whichever is earlier or (ii) in the case of Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments.

(Please see Explanatory Note) **(Resolution 3)**

4. To transact any other business as may properly be transacted at an AGM.

By Order of the Board
Bowsprit Capital Corporation Limited
as Manager of First Real Estate Investment Trust
Company Registration No. 200607070D

Elizabeth Krishnan
Company Secretary

Singapore
3 April 2012

Explanatory Note:

The Ordinary Resolution (3) in item 3. above, if passed, will empower the Manager from the date of this Meeting until the date of the next AGM of the Unitholders of First REIT, or the date by which the next AGM of the Unitholders of First REIT is required by law to be held or such authority is varied or revoked by First REIT in a general meeting, whichever is the earlier, to issue Units, make or grant instruments convertible into Units and to issue Units pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Units (excluding treasury Units, if any) in First REIT, of which up to 20% may be issued other than on a pro-rata basis to existing Unitholders of First REIT.

For determining the aggregate number of Units that may be issued, the percentage of issued Units in First REIT will be calculated based on the total number of issued Units (excluding treasury Units, if any) in First REIT at the time this Ordinary Resolution is passed after adjusting for new Units arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of unit options or the vesting of unit awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Notes:

1. A Unitholder entitled to attend and vote at the AGM of the Unitholders of First REIT is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of First REIT.

2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Manager at 50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321 not less than forty-eight (48) hours before the time appointed for holding the AGM.

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PROXY FORM

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

FIRST REAL ESTATE INVESTMENT TRUST
(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))

IMPORTANT:

1. For investors who have used their CPF monies to buy units in First Real Estate Investment Trust, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent **FOR INFORMATION ONLY.**
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

being a Unitholder/Unitholders of First Real Estate Investment Trust (“**First REIT**”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Third Annual General Meeting (the “**Meeting**”) of Unitholders of First REIT to be held at Capricorn Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Friday, 20 April 2012 at 1:30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote “For” or “Against” with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	To receive and adopt the Trustee’s Report, the Manager’s Statement, the Audited Financial Statements of First REIT for the financial year ended 31 December 2011 and the Auditors’ Report thereon		
2	To re-appoint RSM Chio Lim LLP as Auditors of First REIT and authorise the Manager to fix the Auditors’ remuneration		
3	To authorise the Manager to issue new Units		

Dated this ______________ day of ______________ 2012

Total number of Units in:	No. of Units
(a) CDP Register	
(b) Register of Unitholders	

____

Signature of Unitholder(s)/Common Seal of Corporate Unitholder

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes:

1. Please insert the total number of Units held by you. If you have Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units held by you.

2. A Unitholder of First REIT entitled to attend and vote at a meeting of First REIT is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of First REIT.

3. Where a Unitholder appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, First REIT reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies or the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the Manager at 50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321 not less than 48 hours before the time appointed for holding the Meeting.

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6. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a Unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Meeting as observers are requested to submit in writing, a list with details of the investor's names, NRIC/Passport numbers, addresses and number of Units held. The list, signed by an authorised signatory of the relevant CPF Approved Nominees, should reach the registered office of the Manager at 50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321, at least 48 hours before the time appointed for holding the Meeting.

General:

The Manager shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Manager may reject any instrument appointing a proxy or proxies lodged if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Manager.

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Affix
Postage
Stamp

The Company Secretary
BOWSPRIT CAPITAL CORPORATION LIMITED
(as manager of First Real Estate Investment Trust)
50 Collyer Quay
#06-01, OUE Bayfront
Singapore 049321

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FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

Managed By:

Bowsprit Capital

BOWSPRIT CAPITAL CORPORATION LIMITED

50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321
Tel: (65) 6435 0168 Fax: (65) 6435 0167
Website: www.first-reit.com