

## BOARD OF DIRECTORS

**Tan Sri Dato' Ahmad Fuzi  
Abdul Razak**  
*(Independent, Non-Executive)*



**Dato' Abdul Mutalib  
Mohamed Razak**  
*Member*  
*(Independent, Non-Executive)*



**Datuk Syed Hussian  
Syed Junid**  
*Member*  
*(Independent, Non-Executive)*



**Datuk Ahmad Badri Mohd. Zahir**

*Member*

*(Non-Independent, Non-Executive)*



**Datuk Johar Che Mat**

*Member*

*(Non-Independent, Non-Executive)*



**Dato' Che Pee Samsudin**

*Member*

*(Non-Independent, Non-Executive)*



## PROFILE OF THE BOARD OF DIRECTORS

### **Tan Sri Dato' Ahmad Fuzi bin Abdul Razak**

*(Independent, Non-Executive)*

Tan Sri Dato' Ahmad Fuzi bin Haji Abdul Razak, a Malaysian, aged 64, was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd on 8 May 2009.

Tan Sri Ahmad Fuzi was previously the Secretary-General of the Ministry of Foreign Affairs Malaysia. He joined the Malaysian Diplomatic and Administrative Service in 1972, and served in various capacities at the Ministry of Foreign Affairs, mainly in the Political Division, and at the Malaysian Missions abroad in Moscow, The Hague, Canberra, Washington and Dhaka. He has also served as the Director General, Institute of Diplomacy and Foreign Relations.

Tan Sri Ahmad Fuzi is currently the Secretary-General of the World Islamic Economic Forum Foundation (WIEF); Non-Executive Chairman of Ranhill Energy and Resources Bhd; Seremban Engineering Berhad; Theatre Management Associates Sdn Bhd; Optima Capital Sdn Bhd; Ferro Mining Sdn Bhd; Sofgen (Malaysia) Sdn Bhd; Xadacorp Sdn Bhd and ISAREIT Retail Properties Sdn Bhd as well as the Group Chairman of Ace Holdings Sdn Bhd.

Tan Sri Ahmad Fuzi also serves as an Independent Non-Executive Director of Puncak Niaga Holdings Berhad; Maybank Islamic Berhad, Maybank Ventures Sdn Bhd and Management Development Institute of Singapore (MDIS).

He is also a Member of the Board of Trustee, F3 Strategies Berhad; MERCY Malaysia and Perdana Global Peace Foundation (PGPF); a Member of the Institute of Advanced Islamic Studies (IAIS); a Member of the Advisory Board, Asia Pacific Entrepreneurship Award (APEA), Leisure Guide Publishing Sdn Bhd and High School Bukit Mertajam Alumni Malaysia as well as an Honorary Advisor of the Malaysia-Myanmar Chamber of Commerce.

He has also been appointed as a Distinguished Fellow of the Institute of Strategic and International Studies (ISIS) Malaysia and the Institute of Diplomacy and Foreign Relations (IDFR) as well as the Deputy Chairman of the Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP Malaysia).

Tan Sri Ahmad Fuzi holds a Bachelor of Arts Degree (Honours) from the University of Malaya (1972) and a Certificate in Diplomacy (Foreign Service Course) from the University of Oxford (1974).

In recognition of his service to the nation, he was awarded the AMN (1979), the JSM (1999), the DSPN (1999), the DMPN (2002) and the PSM (2003).

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

### **Dato' Abdul Mutalib Mohamed Razak**

*Member*

*(Independent, Non-Executive)*

Dato' Abdul Mutalib bin Mohamed Razak, a Malaysian, aged 69, was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd on 8 May 2009.

Dato' Abdul Mutalib was the Secretary / Legal Advisor to the Urban Development Authority (UDA) from 1972 to 1975. He then went into private practice under the name Messrs Mutalib, Sundra & Low, later renamed Mutalib, Wan & Co, of which he is currently the Principal Partner. In 1984, Dato' Mutalib was appointed as the Trustee Director of Yayasan Pembangunan Ekonomi Islam Malaysia (YPEIM), a post he held until 1988. He was also the Secretary of Yayasan Bumiputra Pulau Pinang Berhad from 1980 to 1990 and Deputy Chairman of Setron (M) Berhad from 1987 to 1990.

Dato' Mutalib was the Chairman of Media Prima Berhad from 2003 to 2009. Whilst in Media Prima Group, he was also the Chairman of its subsidiaries namely Metropolitan TV Sdn Bhd (8TV), Natseven TV Sdn Bhd (ntv7), Ch-9 Media Sdn Bhd (TV9), Max - Airplay Sdn Bhd (Fly.FM) and Synchronsound Studio Sdn Bhd (Hot.FM).

Dato' Abdul Mutalib retired as Board Member of MARDEC Berhad and The New Straits Times Press (M) Berhad and as President of Tribunal for Consumer Claims Malaysia last year.

Presently he sits as Director/Chairman of KL Airport Services Sdn Bhd (KLAS)(a subsidiary of DRB-Hicom Berhad) and TH Properties Sdn. Bhd. (a subsidiary of Tabung Haji).

Dato' Abdul Mutalib obtained his Bachelor of Arts (Honours) degree in Political Science from the University of Singapore in 1967 and was called to the Bar at The Honourable Society of Lincoln's Inn, London in 1971.

### **Datuk Syed Hussian Syed Junid**

*Member*

*(Independent, Non-Executive)*

Datuk Syed Hussian bin Syed Junid, a Malaysian, aged 51, was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd on 8 May 2009. He is also a Member of the Audit Committee.

Datuk Syed Hussian started his career with The American Malaysian Insurance Sdn Bhd as a Trainee Executive in 1982 in which he was later promoted as the Regional Manager covering Penang, Perlis, Kedah and Perak in 1989. He is currently a Senior Director of Business Operations & Sales Support Asia, Western Digital Sdn Bhd.

Datuk Syed Hussian is a Director of AWC Bhd and also a Deputy Chairman of Ambang Wira Sdn Bhd. At Media Prima Berhad, Datuk Syed Hussian sits on the Boards of Primeworks Studios Sdn Bhd and Alternative Media Sdn Bhd.

Datuk Syed Hussian has extensive experience in insurance industry and entrepreneurship. He holds a Diploma in Insurance from The Association for Overseas Scholarship Tokyo in 1988 and a Certificate in Insurance from MARA Institute of Technology in 1982.

### **Datuk Ahmad Badri Mohd. Zahir**

*Member*

*(Non-Independent, Non-Executive)*

Datuk Ahmad Badri bin Mohd. Zahir, 52 years, was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd in July 2012. He is currently the Deputy Secretary of Loan Management, Financial Market and Actuary Division, Ministry of Finance (MoF). Datuk Ahmad Badri holds a Bachelor's Degree in Land and Property Management from Universiti Teknologi MARA and a Master's Degree in Business Administration (MBA) from the University of Hull, United Kingdom.

Before joining the public sector, Datuk Ahmad Badri was a Valuer with WTW(M) Sdn. Bhd. from 1986 to 1989. The first post he assumed when he joined the public sector in 1989 was as Assistant Secretary at Ministry of Finance. Subsequently, he was appointed as Director's Advisor of Asean Development Bank (ADB), Manila in 1997 until 2000.

In addition, he presently sits on the Boards of Danajamin Nasional Berhad, Kuala Lumpur International Airport Berhad, DanaInfra Nasional Berhad, Selangor State Development Corporation and a committee member of Corporate Debt Restructuring Committee.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

### **Datuk Johar Che Mat**

*Member*

*(Non-Independent, Non-Executive)*

Datuk Johar bin Che Mat, a Malaysian aged 60 was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd on 23 August 2011. He is also currently a Director of Amanah Raya Berhad since August 2010, the Chairman of Audit Review Committee and Board Risk Management Committee; a member of Nomination and Remuneration Committee and Investment Committee of Amanah Raya Berhad; and a Board member of Bank Pertanian.

Datuk Johar was previously the Chief Operating Officer of Maybank Group. He was responsible for strategic and operational activities in Banking Operations, Information Technology, Business Process Improvement, Service Level Management, Property & Security, Custody Services and Mayban Trustees Berhad.

He briefly served Federal Government after graduating from University of Malaya in 1975 with a Bachelor of Economics before joining Maybank. Since then, he has served in various capacities in banking operations and strategic innovation, including as the Head of Retail Financial Services and managing the Retail Banking portfolio which encompasses frontend activities at branches. His portfolio covers Transactional Banking (Operations), Retail Finance, Retail Marketing, Sales Management, Private Banking, Retail Programme Management, Share Trading, e-Channels, Maybank Group Call Centre and Mayban Unit Trust Berhad.

Prior to that, Datuk Johar was the Head of Enterprise Banking (Corporate/Commercial) where he was in charge of Corporate, Commercial and Bumiputra unit.

### **Dato' Che Pee Samsudin**

*Member*

*(Non-Independent, Non-Executive)*

Dato' Che Pee bin Samsudin, a Malaysian aged 54 was appointed to the Board of AmanahRaya-REIT Managers Sdn Bhd on 23 August 2011. He is also a Director of Amanah Raya Berhad since March 2011.

Dato' Che Pee holds a Bachelor Honours Degree in Accounting and is a member of Chartered Account (CA) of the Malaysian Institute of Accountants (MIA). He began his career as an Accountant in the government sector since 1982. His extensive experience includes serving at various government divisions including Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department and Perbendaharaan State of Kedah as the State Treasurer for nine years.

Dato' Che Pee is presently the Director of Central Operation and Agency Service Division in Accountant General Department of Malaysia, Putrajaya.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR SUBSTANTIAL UNITHOLDER

None of the Directors of the Manager has any family relationship with any other Directors or Substantial Unitholders.

### CONFLICT OF INTEREST

No conflict of interest has arisen between the Directors and AmanahRaya REIT during the financial year under review.

### CONVICTIONS FOR OFFENCES

None of the Directors have been convicted for offences within the past 10 years.

### ATTENDANCE AT BOARD OF DIRECTORS' MEETINGS

The Board currently comprises of six (6) Directors, of which three (3) are independent non-executive and three (3) are non-independent non-executive.

During the financial year, the Board met eight (8) times. The number of meetings attended by each Director is as follows:-

Directors	Number of Board meetings held during Directors' tenure in office	Number of meetings attended by Directors
Tan Sri Dato' Ahmad Fuzi bin Abdul Razak	8	8
Dato' Abdul Mutalib bin Mohamed Razak	8	8
Datuk Syed Hussian bin Syed Junid	8	7
Datin Aminah binti Pit Abd Raman <i>(resigned with effect from 15 November 2012)</i>	6	6
Dato' Ahmad Rodzi bin Pawanteh <i>(resigned with effect from 14 March 2012)</i>	1	0
Encik Shahrol Anuwar bin Sarman <i>(resigned with effect from 2 July 2012)</i>	4	2
Datuk Johar bin Che Mat	8	8
Dato' Che Pee bin Samsudin	8	4
Datuk Ahmad Badri bin Mohd Zahir <i>(appointed with effect from 19 July 2012)</i>	4	3





# DELIVERING TRUST

Whilst we set our sights on growing the portfolio, our core values; transparency, reliability and trustworthy remain. We strive to ensure that our investments are in the best interest of our unitholders at all times.



## MESSAGE FROM THE CHAIRMAN



*Dear Unitholders,*

On behalf of the Board of Directors of AmanahRaya-REIT Managers Sdn. Bhd. (ARRM), the Manager of AmanahRaya Real Estate Investment Trust "AmanahRaya REIT", I have the pleasure to present the Annual Report and Audited Financial Statement for the period ended 31 December 2012. It is my hope that this Report would provide a deeper understanding of our operation, performance and plans to move forward with the ultimate objective of delivering value to our unitholders.

**Tan Sri Dato' Ahmad Fuzi bin Abdul Razak**

*Chairman*

## MESSAGE FROM THE CHAIRMAN (CONT'D)



### OVERVIEW

Overall, the Malaysian economy remains strong despite the continued uncertainty and volatility of the global economy. The global economy remains fragile with Europe continuing to struggle to overcome the plague of the Eurozone crisis. In the first half of 2012, the Malaysian GDP expanded by 4.7% and 5.4% in the first and second quarter respectively. It is anticipated that the Malaysian economy on average will grow to about 5% for the Year 2012. Malaysia's economic resilience is due to the strong domestic support coupled with the implementation of government initiatives under the Economic Transformation Programme (ETP).

In 2012, the property market as a whole remained stable. However, the office sector recorded some pressures in terms of rental and occupancy rates due to market oversupply. Occupancy rate for office buildings in the Klang Valley dropped from 90-95% to 85-90% while rental rates remained stagnant. The retail sector recorded growth albeit at a slower pace. According to Retail Group Malaysia (RGM), the retail industry expanded by 5.9% in the second quarter of 2012 and the expansion is expected to remain throughout 2012. The occupancy rate of retail malls continued to be buoyant, averaging at

around 95%. However, moving forward rental rates for retail space will be competitive due to incoming supply of which 1.2 million sq ft was planned for 2012. The industrial sector too remains strong.

Over the years, interest in REITs has grown steadily in Malaysia. In 2012, two large REITs were listed, namely the IGB REIT and Pavillion REIT with asset size of RM4.6b and RM3.5b respectively. Following the listing, Malaysian REITs or better known as M-REITs saw its total asset value increased from RM15b to RM30b in 2012.

### OPERATIONS

During the year under review, AmanahRaya REIT continued to perform relatively well. Two properties under its portfolio were being disposed with substantial gains. In June 2012, a Sale and Purchase Agreement was signed between CIMB Islamic Trustee Berhad (as the Trustee for AmanahRaya REIT) (Trustee) and Tenaga Nasional Berhad in which the latter agreed to purchase Wisma UEP building in Subang Jaya for RM40m. Thereafter, in December 2012, the Trustee executed a term sheet with Permanis Sdn. Bhd. whereby Permanis agreed to purchase its factory in Bangi for RM31m. A Sale and Purchase Agreement is expected to be executed in respect thereof in January 2013. Following



the two disposals AmanahRaya REIT will be expecting a gain of approximately RM7.95m.

With regard to acquisition, there were no new acquisitions made in the year 2012. The Manager faced difficulty in finding suitable properties for AmanahRaya REIT due to stiff competition from other REITs and government investment funds. However, the Manager will continue in its pursuit to find properties of good quality that are able to provide accretive yields. In this regard several properties for AmanahRaya REIT have been identified and are currently going through the process of due diligence. The Manager is confident of acquiring several properties estimated at about RM250m in the immediate future.

On property management, the properties under the portfolio continued to enjoy 100% occupancy except for Wisma UEP. In 2012, AmanahRaya REIT recorded an increase of 5% in terms of gross rental mainly due to rental revision of Wisma AmanahRaya, Jalan Ampang and the completion of asset enhancement exercises on two properties namely, Selayang Mall and KDNC11. The new lifts at Selayang Mall and the new cold rooms at KDNC11 are currently in operation.

## MESSAGE FROM THE CHAIRMAN (CONT'D)



### PERFORMANCE

For the year 2012, AmanahRaya REIT managed to distribute in total an accretive DPU of 7.4487 sen, a slight increase from last year's DPU of 7.2213 sen. Total asset value increased to RM1.046 billion. Revenue increased by 3% from RM66 million to RM68 million whilst net realized income recorded a small increase from RM42.5 million to RM 43.4 million. Gearing ratio reduced to 34.76% and NAV as at 31 December 2012 is RM606.8 million or RM1.0586 per unit.

### OUTLOOK

The risk moving forward is the uncertainties in the global economy. It is unclear as to which direction the global economy is heading in the near future. Domestically, the coming general election is very much anticipated. Other than these two factors, the Malaysian economy is expected to show respectable growth in 2013. Whilst growth in the property market is expected to see a slowdown in anticipation of the oversupply situation in certain sectors and the tightening of credits to property lending, the overall property market is expected to remain stable. Barring unforeseen circumstances, AmanahRaya REIT is expected to at least maintain its performance in 2013.

### MOVING FORWARD

ARRM as the Manager has drawn up a 3-year Business Plan for AmanahRaya REIT. The ultimate objective of the Plan is to steer AmanahRaya REIT towards growth while maintaining its accretive returns. As size is important, increasing the fund size to RM1.5b in the next three years is the Manager's priority. Moving forward, the Manager plans to restructure the portfolio and will be focusing on three sectors namely, industrial, office and retail. Further divestment of assets will also take place as considered appropriate.

### CHANGE IN THE BOARDROOM

En Shahrol Anuwar Sarman resigned from the Board on 2 July 2012 to take up a new position overseas. His position has been replaced by Datuk Ahmad Badri Mohd Zahir. Datuk Ahmad is currently the Deputy Secretary of Loan Management, Financial Market and Actuary Division, Ministry of Finance (MoF) and a Member of the Corporate Debt Restructuring Committee. He also sits on the Boards of Danajamin Nasional Berhad, Kuala Lumpur International Airport Berhad, Danalnfra Nasional Berhad and the Selangor State Development Corporation.

### APPRECIATION

As Chairman, I wish to take this opportunity to express my sincere appreciation to the Board Members, Investment Committee Members and the Management for their contribution and commitment in delivering value to the unitholders of AmanahRaya REIT despite the challenges encountered especially in the current volatile economic situation. My special thanks go to En Shahrul Anuwar for his contribution during his tenure as the Director of ARRM from 2010-2012 and on behalf of the Board, I wish him all the best in his future endeavours.

I also wish to record my appreciation to the unitholders and business partners of AmanahRaya REIT for their continued support and confidence throughout 2012.

**Tan Sri Dato' Ahmad Fuzi  
bin Abdul Razak**

*Chairman*

# AMANAHRAYA REIT INVESTMENT COMMITTEE MEMBERS

## 1. Mahadzir bin Azizan

(Chairman)

Mahadzir bin Azizan, a Malaysian, aged 63, was appointed as an Independent Investment Committee Member on 27 December 2006.

He has held key positions both in private and public sector. After graduation he joined the Judicial and Legal Service of the Malaysian Government as a Deputy Public Prosecutor and Federal Counsel and subsequently ventured into the private sector and served Malaysian International Shipping Corporation (MISC) as Assistant Company Secretary & Legal Adviser and later as Director of Corporate Affairs, Island & Peninsular Berhad, the property arm of Permodalan Nasional Berhad (PNB) for 23 years.

Mahadzir currently serves on the Boards of the following companies; ECM Libra Financial Group Berhad, ECM Libra Investment Bank Berhad, Libra Invest Berhad and Syarikat Takaful Malaysia Berhad. Mahadzir is a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London.

## 2. Datuk Johar bin Che Mat

Datuk Johar bin Che Mat, a Malaysian aged 60 was appointed as a Non-Independent Investment Committee Member on 1 January 2012. He is also currently a Director of AmanahRaya REIT Managers Sdn Bhd and Amanah Raya Berhad as well as the Chairman of Audit Review Committee and Board Risk Management Committee and a member of Nomination and Remuneration Committee and Investment Committee of Amanah Raya Berhad and a Board member of Bank Pertanian.

Datuk Johar was previously the Chief Operating Officer of Maybank Group. He was responsible for strategic and operational activities in Banking Operations, Information Technology, Business Process Improvement, Service Level Management, Property & Security, Custody Services and Mayban Trustees Berhad.



He briefly served Federal Government after graduating from University of Malaya in 1975 with a Bachelor of Economics before joining Maybank. Since then, he has served in various capacities in banking operations and strategic innovation, including as the Head of Retail Financial Services and managing the Retail Banking portfolio which encompasses frontend activities at branches. His portfolio covers Transactional Banking (Operations), Retail Finance, Retail Marketing, Sales Management, Private Banking, Retail Programme Management, Share Trading, e-Channels, Maybank Group Call Centre and Mayban Unit Trust Berhad.

Prior to that, Datuk Johar was the Head of Enterprise Banking (Corporate/Commercial) where he was in charge of Corporate, Commercial and Bumiputra unit.

## 3. Datuk Yahya bin Ya'acob

Datuk Yahya bin Ya'acob, a Malaysian, aged 68, was appointed as an Independent Investment Committee Member on 27 December 2006.

He has served in various positions in government departments and ministries, including as the Secretary General of the Ministry of Information and the Secretary General of the Ministry of Works. He is a director of the following companies, IJM Corporation Berhad, LBI Capital Berhad,

Damansara Realty Berhad and Emas Kiara Industries Berhad. He is also a director in Pelaburan Johor Berhad.

DatukYahya holds a Bachelor of Arts (Hons) and a Diploma in Public Administration both from the University of Malaya. He also holds a Master's degree in Business Management from the Asian Institute of Management, Philippines.

## 4. S. Elias bin Abd. Rahman Alhabshi

S. Elias bin Abd. Rahman Alhabshi, a Malaysian, aged 69, was appointed as an Independent Investment Committee Member on 30 July 2008.

A seasoned banker, S. Elias has vast experience in banking and securities industries and has served both local and international institutions including Bank Bumiputra Malaysia Berhad, ASEAN Finance Corporation, Merrill Lynch & Co. and Hong Leong Group.

Currently he is the Director of UOB Kay Hian (Malaysia) Sdn Bhd, a member of the Investment Panel for Lembaga Tabung Haji and the Senior Advisor of Threadneedle Investments (S) Pte Ltd

Syed Elias holds a Master of Management (with distinction) from Asian Institute of Management, the Philippines.

# AMANAHRAYA REIT

## INVESTMENT COMMITTEE MEMBERS (CONT'D)

### 5. Vasantha Kumar Tharmalingam

Vasantha Kumar Tharmalingam, a Malaysian aged 67, was appointed as an Independent Investment Committee Member on 11 February 2011.

Kumar graduated from the College of Estate Management, London School of Economics with a B.Sc in Real Estate from University of London. He is a Fellow of the Royal Institution of Chartered Surveyors, Fellow of the Institution of Surveyors Malaysia (ISM) and registered as a Real Estate Valuer and Property Consultant with the Board of Valuers in Malaysia.

He established the First Malaysian Property Trust (FMPT), a joint venture between the Bank of Commerce and Austwide, Australia in 1987. Subsequently he left in 1990 to establish the MBF Unit Trust. From 1992 to 1998 he was Executive Director of Taiping Consolidated Berhad (TCB) and was part of the team building the J.W. Marriott Hotel and Starhill Shopping Centre in Kuala Lumpur and originated Sentul Raya for the company, a joint venture with KTM Berhad to develop 270 acres of an inner city brown field project. In 1998 he left TCB and became Chairman of Hall Chadwick Asia Sdn. Bhd. which specializes in the origination of property assets for Pension Funds, Private Equity Funds and Real Estate Investment Trusts (REITs).

Kumar is currently the Chief Executive Officer of Malaysia Property Incorporated (MPI) which is a Government of Malaysia initiative under the Economic Planning Unit (EPU) tasked to promote Malaysia as property investment destination and to induce Foreign Direct Investment (FDI) specifically into Malaysian real estate. He is also the Chairman of the Investment Committee for Aseana Properties Limited, a London AIMs listed Malaysian conglomerate which has property investment, construction and development in Vietnam and Malaysia. Kumar is an independent Director on the Board of Sime Darby Property Berhad.

### CONFLICT OF INTEREST

No conflict of interest has arisen between the Investment Committee Members and AmanahRaya REIT during the financial year under review.

### CONVICTIONS FOR OFFENCES

None of the Investment Committee Members have been convicted for offences within the past 10 years.

### ATTENDANCE AT INVESTMENT COMMITTEE MEETINGS

The Investment Committee currently comprises of five (5) Members of which one (1) is Non-Independent and four (4) are Independent Members.

During the financial year, the Investment Committee met six (6) times. The number of meetings attended by each current Member is as follows:-

<b>Investment Committee Members</b>	<b>Number of Investment Committee meetings held during the Members' tenure in office</b>	<b>Number of meetings attended by Members</b>
Encik Mahadzir bin Azizan	6	6
Datuk Yahya bin Ya'acob	6	6
Tuan Syed Elias bin Abd. Rahman Alhabshi	6	5
Encik Vasantha Kumar Tharmalingam	6	5
Datuk Johar bin Che Mat	6	4

# STATEMENT ON CORPORATE GOVERNANCE

Effective corporate governance has always been a priority to the Board of Directors of AmanahRaya-REIT Managers Sdn Bhd (“ARRM” or “the Manager”) as the Manager of AmanahRaya REIT. We are committed towards ensuring that a high standard of corporate governance is practised throughout the company for the best interest of our unitholders.

In ensuring the implementation and operation of proper corporate governance, ARRM is guided by the measures recommended by the Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”), the Malaysian Code on Corporate Governance (Revised 2007) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## THE MANAGER OF AMANAHRAYA REIT

AmanahRaya REIT (“the Fund”) is externally managed by the Manager. All Directors and employees of the Manager are remunerated by the Manager and not by the Fund. The Manager’s primary role is to ensure good and sustainable return to the unitholders by managing the properties under its portfolio in accordance with AmanahRaya REIT’s Deed.

Other main functions of the Manager are as follows:

- development of business plans as well as strategic and investment policies for AmanahRaya REIT;
- providing recommendations on the acquisition, divestment and/or enhancement of AmanahRaya REIT’s assets to the Trustee;
- monitoring compliance to all applicable legislations, rules and guidelines as well as AmanahRaya REIT’s Deed;
- ensuring appropriate record keeping;
- formulating proper risk management policies;
- supervising and overseeing the appointed Property Managers on the management of AmanahRaya REIT’s properties; and
- formulating plans for equity and debt financing for AmanahRaya REIT’s capital requirements as well as managing its finances.

## DIRECTORS OF THE MANAGER

### The Board

The Board of Directors of the Manager (the “Board”) is responsible for the effective stewardship and control of the Manager.

This responsibility of the Board, at the minimum, includes:

- setting the objectives and goals of the Manager and the Fund;
- formulating and reviewing the adequacy of corporate policies and strategies, including but not limited to policies on investments, internal controls, investor relations and accounting;
- overseeing and evaluating the conduct of the Manager’s activities;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure in accordance with established policies and procedures; and
- ensuring proper succession planning is in place, including appointing, training and reviewing the remuneration and compensation for key personnel of the Manager, where appropriate.

### Board Balance

The Board currently has six (6) members, consisting of three (3) Independent Non-Executive directors and three (3) Non-Independent Non-Executive directors. This is in compliance with the requirement for at least one-third of the Board to be independent. The Manager’s Articles of Association provides that the number of directors shall be not less than two (2) and not more than nine (9).

The Chairman leads the Board and is responsible for the vision and strategic direction of the Manager. The composition of the Board is reviewed regularly to ensure that it has an appropriate mix of experience and expertise.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The roles of Chairman and Chief Operating Officer ("COO") are separate with clear segregation of roles and responsibilities to ensure balance of power and authority. Whilst the Chairman navigates the Board and ensures that members of the Board work hand in hand with the management and encourages constructive relationship between the directors and management, the COO holds the responsibility of executing the agreed business policies and directions set by the Board as well as making operational decisions in managing the Fund.

### Board Meetings

Board meetings are scheduled regularly at least once every quarter. Special Board meetings are also held to discuss urgent issues as and when necessary. Throughout 2012, eight (8) Board meetings were held, four (4) of which were Special Board meetings.

### Access to and Supply of Information and Advice

Board members are supplied with information in a timely manner. Notices and meeting agenda together with the relevant board papers are usually circulated one (1) week prior to the scheduled Board meeting. The papers provide among others, financial and corporate information, significant operational, financial and corporate issues, performance of AmanahRaya REIT and management's recommendations and proposals.

All directors have access to the advice and services of the Audit Committee, Legal & Compliance Department, Group Internal Audit Department, Company Secretary as well as to external independent professional advice whenever deemed necessary.

### Appointment to the Board

All new nominations are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The selection of candidates is assessed considering various factors including the objectives of the Fund and the Manager, the relevant experience and expertise of the candidates as well as their potential contributions

Reviews on the performance of the Board members are done informally. The renewal or replacement of Board members do not necessarily reflect their level of contributions, but will most of the times be determined by the need to align and structure the Board in accordance with the goals and directions of AmanahRaya REIT and its business.

Directors are regularly updated on developments and changes in the operating environment including revisions to accounting standards as well as laws and regulations affecting the Fund and/or the Manager.

### Directors' Training

During the financial year 2012, the Directors attended various talks and lecture series organised by regulators and professional bodies to enhance their knowledge and expertise as well as to keep abreast with the relevant changes of the industry, corporate governance, laws and regulations and business environment.

The newly appointed director has also attended the Mandatory Accreditation Programme organised by Bursatra Sdn Bhd within the specified period as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### Committees under the Board

The Board has set up the following committees to assist in discharging its duties. The committees are:

- The Audit Committee; and
- The Investment Committee.

### AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 9 June 2009. It operates under the delegated authority from the Board and in line with the Malaysian Code on Corporate Governance (Revised 2007). The AC consists of three Non-Executive Directors, with one Independent Director and two (2) Non-Independent Directors.

The AC operates based on a set of terms of reference outlining its scope of authority which includes:

- Reviewing all internal and external reports on the operations of the Fund and the Manager as well as the portfolio under management and ensuring compliance with all relevant laws and regulations;
- Initiating investigation in respect of activities within its terms of reference and to seek for information it requires from the management and/or any employee;
- Obtaining external legal or other independent professional advice, opinion and/or reports and to secure the attendance of external parties with relevant experience and expertise as and when necessary;

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

- Reviewing, together with external auditors, the audit plan, scope of the audit and areas of audit for the Fund and the Manager;
- Discussing and highlighting any problems arising from the audit exercise and/or any other matters raised by external auditors;
- Reviewing external auditors' letters and reports and response from the management;
- Reviewing the audit report prepared by external auditors;
- Making appropriate recommendations to the Board on matters concerning resignations, dismissals and replacements of external auditors;
- Reviewing and reporting the adequacy of the scope, functions and resources of the internal audit function and authorizing it to carry out the audit works;
- Reviewing all financial results and financial statements and all portfolios under management;
- Reviewing and highlighting any related-party transactions;
- Ensuring that the policy, strategy and operations of the Fund and the Manager are in compliance with all relevant laws and regulations; and
- Performing any other operational functions as may be agreed by the Board.

### Meetings and Attendance

The AC meetings are scheduled at least once every quarter. Four (4) AC meetings were held throughout 2012. The details of attendance of the AC members are as follows:

Name of Committee Member	Number of Meetings Attended
Datin Aminah binti Pit Abd Raman (Chairperson) (resigned with effect from 15 November 2012)	4
Datuk Syed Hussian bin Syed Junid	3
Dato' Che Pee bin Samsudin	3

### INVESTMENT COMMITTEE

The Investment Committee ("IC") for AmanahRaya REIT was formed on 4 August 2006. It operates under the delegated authority from the Board and is represented by members from various fields including banking and property. At present, the IC has five (5) members, four (4) of which are independent.

The duties and responsibilities of the IC are outlined in its terms of reference, which include:

- Reviewing, deliberating and deciding on any investments to be made by AmanahRaya REIT as recommended by the management;
- Reviewing, assessing and deciding on the escalation of proposals relating to asset acquisition, disposal and fund raising exercises to be undertaken by AmanahRaya REIT to the Board and Trustee for final approval;
- Reviewing and deliberating the following reports;
  - Property Market and Outlook Report
  - AmanahRaya REIT's Performance Report
- Ensuring that AmanahRaya REIT is managed in accordance with:-
  - its investment objectives;
  - its Trust Deed;
  - its Prospectus;
  - the Securities Commission's Guidelines on Real Estate Investment Trust and other securities laws; and
  - the internal investment restrictions and policies.
- Recommending to the Board the appropriate strategies to achieve the objectives of AmanahRaya REIT in accordance with its investment policies;
- Ensuring that the selected strategies are properly and efficiently implemented by the management;
- Actively monitoring, measuring and evaluating the performance of the Manager; and
- Carrying out other duties as may be determined from time to time by the Board.

The IC meetings are scheduled at least once every quarter and six (6) Investment Committee meetings were held throughout 2012.



# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible in ensuring that proper maintenance of accounting records for AmanahRaya REIT and appropriate accounting policies had been consistently applied. The Board is assisted by the Audit Committee in overseeing the Fund's financial reporting processes and the quality thereof.

### Internal Control

The Board has an overall responsibility of maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

### Relationship with External Auditors

An External Auditor, independent of the Manager and the Trustee has been appointed for the Fund. The appointment has been nominated by the Manager and approved by the Trustee. The remuneration of the Auditor is approved by the Trustee.

Via the Audit Committee, the Board maintains an active, transparent and professional relationship with the External Auditor.

### Compliance Officer

The Manager has a dedicated compliance officer working towards ensuring compliance with all legislation, rules and guidelines issued by the Securities Commission and Bursa Malaysia Securities Berhad as well as AmanahRaya REIT's Deed.

## RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

The Manager has established procedures that will ensure related party transactions and conflicts of interests are undertaken in full compliance with the Securities Commission's REIT Guidelines, AmanahRaya REIT's Deed and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Among the policies adopted by the Manager to deal with potential conflicts of interest issues include:

- transactions on arm's length basis and on normal commercial terms which are not more favourable than those extended to third parties or public and are not to the detriment of the minority Unitholders;
- AmanahRaya REIT's cash or other liquid assets should be placed in a current or deposit account of institutions licensed or approved to accept deposits;
- the Manager may not act as principal in the sale and purchase of real estate, securities and any other assets to and from AmanahRaya REIT; and
- all real estate investment and divestment transactions must be consented by the Trustee, consistent with the investment objective and strategy of AmanahRaya REIT and transacted at a price which is in accordance to the relevant guidelines.

## RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Effective risk management is an integral part of the Manager's strategic plan. The Manager operates within overall guidelines and specific parameters set by the Board. The risk management framework adopted by the Manager allows it to continuously identify, evaluate, mitigate and monitor risks affecting the Fund and the Manager.

The risk management process is integrated in the day-to-day operations of the Manager, allowing a more practical and hands on approach in identifying mitigating strategies.

## COMMUNICATION WITH UNITHOLDERS

The Board acknowledges the importance of regular communication with unitholders and investors via annual reports, circulars, and quarterly financial reports. The Manager has made various announcements that are released to Bursa Malaysia Securities Berhad via Bursa LINK during the period, through which unitholders and investors are able to obtain an overview of AmanahRaya REIT's performance and operations. An investor relations page is also systematically maintained in the Fund's website, allowing the unitholders to keep abreast with the development of AmanahRaya REIT at all times. Additionally, the Chief Operating Officer regularly meets up with analysts, institutional unitholders and investors to provide insights on significant development of the Fund and its strategies.

# STATEMENT ON INTERNAL CONTROL

**Being a Real Estate Investment Trust, AmanahRaya REIT is not subjected to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the board of directors of a public listed company to include in its annual report a statement on internal control of the same as a group. Nevertheless, the Board of Directors of the Manager has voluntarily opted to include this Statement on Internal Control to demonstrate its commitment in maintaining a sound and effective system of internal control.**

## THE BOARD'S RESPONSIBILITY

The Board is responsible in ensuring the adequacy and integrity of the overall internal control systems and policies. Strong emphasis has been given by the Board in maintaining a sound system of internal control and effective risk management practices.

Notwithstanding the above, the Board also acknowledges that a sound system of internal control can mitigate but not eliminate the risk of failure in achieving the identified business objectives. It is therefore pertinent to note that the adopted system of internal control should be able to provide reasonable protection against material losses but not absolute shield against the same.

## INTERNAL CONTROL SYSTEM

The Manager has established, among others, the following systems of internal control to protect the interest of the unitholders:

- An operational manual has been established to outline the structure and framework in managing the overall operations of the Manager. The operational manual includes, inter-alia policies and procedures on acquisition and disposal of properties, property management processes, financial and operational reporting as well as continuing listing and compliance obligations. The operational manual is subject to periodical review and will be updated as and when necessary;
- Authority limits have been specified for the operations of AmanahRaya REIT including but not limited to approvals on investments and divestments, banking facilities, capital and operating expenditure as well as engagement of services from external parties. Approvals from the Trustee and the Board are required for matters of certain threshold limits whereas those which do not exceed the threshold limits are delegated to other Board committees or the Chief Operating Officer to facilitate operational efficiency. A set of other authorised personnel have also been identified to approve and release payments for transactions with prior approval in accordance with the authority limits;
- The Manager has adopted a group wide Integrity Plan and Code of Business Ethics towards recognizing and resolving ethical issues that may be encountered in conducting its daily operations. The Code of Business Ethics addresses among others, issues on conflict of interest, whistle blowing policy, ethics and responsibility to stakeholders;
- An Enterprise Risk Management Policy which sets out the approaches and expectations in relation to risk management has also been adopted by the Manager. Via the policy, the Board recognizes that risk management is an integral part of good management and corporate governance practice;
- Internal Audit services are outsourced to the Manager's holding company, Amanah Raya Berhad ("ARB"). Findings obtained from internal audit activities are reported directly to the Audit Committee and are independent from the management team of the Manager;
- Scheduled regular meetings of the Board, Audit Committee and Investment Committee with representation from the management provide the key to systematic monitoring of the Fund's activities. The Chief Operating Officer is entrusted to manage the daily operations of the Manager and AmanahRaya REIT and holds the responsibility of leading the respective heads of departments towards achieving the identified objectives;
- In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well deserving personnel;
- The Audit Committee conducts reviews on issues relating to the effectiveness of the internal control system raised by internal and external auditors, regulatory authorities and the management. Where a weakness on internal control mechanism is identified, the Audit Committee shall ensure that appropriate remedial action is taken by the management;

## STATEMENT ON INTERNAL CONTROL (CONT'D)

- The Investment Committee reviews and scrutinizes all investment, divestment and fund raising proposals recommended by the management. The reviewing process includes identification of risks involved in such activities towards ensuring that the Fund is managed in accordance with its objectives. The Investment Committee also holds the responsibility of actively monitoring the performance of the Manager and AmanahRaya REIT;
- All recommendations endorsed by the Audit Committee and Investment Committee shall be presented for review and approval by the Board.

Based on the above, the Board is of the view that the internal control system adopted by the Manager is adequate and sufficient to ensure good corporate governance for AmanahRaya REIT

# CORPORATE CALENDAR

APRIL 2012

As part of the Manager's commitment towards building a solid workforce and improving the relations and strengthening the bond among its employees, a teambuilding session was held at Mutiara Taman Negara Resort from 28 April 2012 to 30 April 2012. During the session, the Manager took the opportunity to offer some contribution to the Orang Asli of Taman Negara as part of the Manager's corporate social responsibility endeavour.



JUNE 2012

On 14 June 2012, several members of the Board of Directors of the Manager visited a few properties under the Fund's portfolio namely South City Plaza, SEGI College Kota Damansara, Wisma Amanah Raya Berhad at Jalan Semantan and Selayang Mall. The visit was part of the Board's initiatives towards ensuring proper property maintenance is carried out on AmanahRaya REIT's properties.



On 26 June 2012, AmanahRaya REIT, through its Trustee entered into a Sale and Purchase Agreement with Tenaga Nasional Berhad ("TNB") for the disposal of Wisma UEP for a cash consideration of RM40 mil. The signing ceremony was held at TNB's office and was attended by representatives of the Manager, the Trustee and TNB.

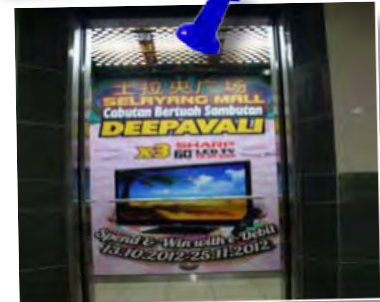


JULY 2012

Kontena Nasional Distribution Centre 11, Port Klang underwent a major asset enhancement exercise whereby the cold room was refurbished to improve its operating temperature specifications. The total refurbishment exercise with the cost of almost RM3.7 mil was duly completed on 16 July 2012.



The work on replacement of six (6) units of lifts at Selayang Mall which was commenced in February 2012 has been divided into 3 phases to minimize disruption on the operations of the mall. Jabatan Keselamatan & Kesihatan Pekerja (JKKP) certificates of fitness for two (2) lifts have been obtained on 25 June 2012 and both of the lifts have been handed over on 18 July 2012. The whole project is expected to be completed by end of March 2013 subject to approval from JKKP.



SEPTEMBER 2012

On 25 September 2012, a meeting was held at Silver Bird Factory, Shah Alam to discuss on issues in respect of Silver Bird's position. The meeting was attended by representatives of the Board of Directors of Silver Bird and the Manager.



## PROFILE OF THE CHIEF OPERATING OFFICER

Adenan Md Yusof, a Malaysian, aged 48, was appointed as Chief Operating Officer of AmanahRaya-REIT Managers Sdn Bhd ("ARRM") on 18 May 2010.

Upon graduation, Adenan works for two of the largest architectural practice in the US i.e. Harry Weese and Associates and Lohan Associates where he gained tremendous design experience on various building types from residential to 5 star hotel and office building and exposure to project management.

After almost 3 years of working in Chicago, Adenan returned to Malaysia and joined Perunding Alam Bina, a medium size architectural practice in Kuala Lumpur as Architect. Thereafter, in 1993, Adenan had the opportunity to join KLCC Berhad ("KLCCB") and worked on the prestigious Petronas Twin Tower project. At KLCCB, he gained valuable knowledge and experience in managing big projects.

Adenan later joined Amanah Capital Partners Berhad ("Amanah Capital") in January 1995, and thereafter promoted to Senior Manager to head the property division. He was responsible in overseeing all property investment under the Group. With vast experience in project management, at Amanah Capital, he managed to complete two major projects i.e. the Menara UMNO Pulau Pinang and the Kirana/Ascott Kuala Lumpur, a high-end condominium project. Adenan gained valuable knowledge and experience in developing high end properties following the completion of Kirana and Ascott projects. He later joined a consultancy firm, Mediconsult Sdn. Bhd. where he was responsible in completing a teaching hospital in Semarang, Indonesia.

Early 2003 Adenan joined KUB Malaysia Berhad as General Manager and thereafter was seconded to KUB Realty Sdn. Bhd, the property arm of KUB. Adenan left KUB and joined Terengganu Incorporated, a State investment arm in January 2008 to head its property investment division. As the Group General Manager, he was responsible in drafting a strategic plan for property investment.

Prior to joining ARRM, he was the Assistant General Manager at the Group Managing Directors' Office where he assisted the Group Managing Director in all matters related to property activities and investments undertaken by the Group. He was also responsible for the restructuring and streamlining of the property related companies within the Group. Currently, Adenan is also holding the position of Vice Chairman of the Malaysian REIT Managers Association.

Adenan holds a Bachelor of Architecture from the Illinois Institute of Technology, Chicago, Illinois, USA.

### **Family Relationship with any Director and/or Substantial Unitholder**

The Chief Operating Officer of the Manager does not have any family relationship with any Directors or Substantial Unitholders.

### **Conflict of Interest**

No conflict of interest has arisen between the Chief Operating Officer and AmanahRaya REIT during the financial year under review.

### **Convictions for Offences**

The Chief Operating Officer has not been convicted for offences within the past 10 years.



**Adenan bin Md Yusof**

*Chief Operating Officer / Principal Officer*

## THE MANAGEMENT TEAM

**Kusuma Dewi  
binti Abdul Aziz**  
*Accountant*

**Hasrol Nizam Hasbi**  
*Head, Property Management*

**Azmanira binti Ariff**  
*Head, Legal and Compliance*

**Noorbaizura binti  
Hermeyney**  
*Head, Real Estate  
Investment*

**Jerry Jesudian a/l  
Joseph Alexander**  
*Joint Company Secretary*



# MANAGER'S REPORT

**The Board of Directors of AmanahRaya-REIT Managers Sdn Bhd ("ARRM"), the Manager of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT") is pleased to present the Annual Report of AmanahRaya REIT and the audited financial statements of AmanahRaya REIT for the financial period ended 31 December 2012.**

## **AMANAHRAYA REIT MANAGERS SDN BHD ("ARRM")**

ARRM is the Manager of AmanahRaya REIT and acts in accordance with the Trust Deed ("Deed") dated 10 October 2006 and guidelines imposed by Securities Commission and Bursa Malaysia. As the Manager, ARRM's main objective is to strive towards delivering strong and sustainable return to the unitholders of AmanahRaya REIT from real estate investments.

## **AMANAHRAYA REIT**

AmanahRaya REIT was established on 10 October 2006 pursuant to the Trust Deed between the Manager and CIMB Islamic Trustee Berhad ("Trustee"). AmanahRaya REIT is classified as a real estate investment fund and was listed on the Bursa Malaysia Securities Berhad on 26 February 2007.

## **AMANAHRAYA REIT INVESTMENT OBJECTIVE**

The prime objective of AmanahRaya REIT is to invest in properties that are able to provide growth potential in terms of rental yield and capital value over a long term period.

## **INVESTMENT STRATEGIES AND POLICIES**

The Manager's investment strategy is to invest in properties that are able to provide strong and sustainable returns with growth potential in terms of rental yield and capital values.

The Manager adopts a stringent policy in assessing and evaluating investment opportunities. Prior to presenting it to the Investment Committee and Board for endorsement, the Manager will conduct a thorough analysis which include site visit, preliminary financial and operational due diligence and risk assessment as well as market study.

The Manager's criterias for investment are as follows:

### **a. Location**

The location will be evaluated based on its proximity to established Central Business District (CBD), industrial zones or populated areas with accessibility to and from major roads, highways and public transportation systems.

### **b. Price and Rental Yield**

The main criteria of investment is the rental yield in relation to the value. In general, the Manager will be looking at rental yields of more than 6% depending on the quality and location of the property. The focus of acquisition will be on properties that are able to provide accretive yields and growth in capital values thus enabling the Manager to translate it into strong DPUs. The rental yield must also be reflective of the current market rental rate to mitigate the risk of searching for new tenants/lessees in the future in the event the current lessee vacates the subject property.

### **c. Building Condition**

The Manager strives towards acquiring quality buildings. The property should be in good tenantable condition. Technical due diligence exercise, which includes examining the condition of the mechanical and electrical equipment as well as the structural condition will be conducted by the Manager's appointed engineers prior to completing any acquisitions.

### **d. Diversified Portfolio**

The strength of AmanahRaya REIT is the diversity of its portfolio. Diversification allows the Manager to cushion the impact of any adverse condition in a particular sector or locality. AmanahRaya REIT will continue to diversify its portfolio but will be focusing more on these three sectors i.e. industrial, retail and office.

### **e. Tenant/Lessee profile**

Tenant profiling is important in ensuring no rental default especially on single tenancy arrangement. The Manager will normally conduct a due diligence exercise on the financial strength of the tenant which includes sustainability of its operations. To date, the tenants of AmanahRaya REIT are mostly multi-nationals and public listed companies.

# MANAGER'S REPORT (CONT'D)

## AMANAHRAYA REIT FINANCIAL PERFORMANCE

For the Financial Year of 2012, AmanahRaya REIT managed to maintain its financial performance amidst slower economic growth.

The financial highlights for the year 2012 are as follows:

- Net income for distribution increased slightly to RM43,386,612 as compared to RM42,529,319 in the previous year
- Distribution per unit ("DPU") increased from 7.2213 sen in 2011 to 7.4487 sen in 2012
- Total assets increased to RM1.046 billion
- Gearing reduced to 34.76%

The operational highlights for the year 2012 are as follows:

- Sale of Wisma UEP to TNB at RM40 million.
- Completion of cold rooms refurbishment work at KDNC at the cost of RM3.66 million.
- Replacement of lifts at Selayang Mall is still ongoing. To date, 4 out of 6 lifts have been completed and commissioned to operate.
- Permanis issued a letter of intent to buy back its factory at RM31 million. A term sheet was signed between the Trustee and Permanis Sdn Bhd in relation to the sale of Permanis Factory on 11 December 2012.
- Silver Bird faced difficulty in paying rental since the beginning of 2012. Consequently, the Manager redeemed a bank guarantee representing advanced rental for the lease period up to January 2013. The lease with Silver Bird was then further extended for a period up to August 2013.



# MANAGER'S REPORT (CONT'D)

## FINANCIAL REVIEW

### Review of Performance

	2012	2011	2010	2009
Total Net Asset Value (RM)	606,782,914	601,636,025	568,165,061	440,103,776
Units in Circulation (units)	573,219,858	573,219,858	573,219,858	431,553,191
Net Asset Value Per unit (RM)	1.0586	1.0496	0.9912	1.0198
Highest Net Asset Value Per Unit (RM)	1.0586	1.0496	1.0690	1.0650
Lowest Net Asset Value Per Unit (RM)	1.0474	0.9746	0.9705	1.0198
Market Value per unit (RM) as at 31 December	0.92	0.91	0.94	0.86
Highest Traded Price for the Twelve Months Period (RM)	0.98	0.97	0.95	0.90
Lowest Traded Price for the Twelve Months Period (RM)	0.90	0.85	0.83	0.68

### Results of ARREIT's Performance

	2012	2011	2010	2009
Total Gross Rental Income	66,914,896	65,305,820	59,509,971	46,519,068
Total Property Expenses	(2,687,577)	(1,981,268)	(1,785,571)	(1,716,710)
Net Rental Income	64,227,319	63,324,552	57,724,400	44,802,358
Interest and Other Income	964,197	834,684	2,607,949	455,510
Total Non-Property Expenses	(21,804,904)	(21,629,917)	(18,931,550)	(14,380,556)
Earnings Before Taxation	43,386,612	42,529,319	41,400,799	30,877,312
Net appreciation on Fair Value of Investment				
Properties	3,500,000	31,143,000	-	-
Earnings Before Taxation	46,886,612	73,672,319	41,400,799	30,877,312
Taxation*	NIL	NIL	NIL	NIL
Earnings After Taxation	46,886,612	73,672,319	41,400,799	30,877,312
Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised)	8.1795	12.8524	7.8962	7.1550
EPU Yield (%) (Based on Closing Market Price)	8.89	14.12	8.40	8.32
Distribution Per Unit (DPU) (sen)	7.4487	7.2213	7.3209	7.1550
Distribution Yield (%)	8.10	7.94	7.79	8.32
MER (%)	0.80	0.70	0.59	0.38
Annual Total Return (%)**	9.10	12.11	20.59	(10.67)

\* The Trust distributed at least 90% of the realised and distributable income and thus, its total income for the year is exempted from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006.

\*\* Based on movement in weighted average unit price & actual gross income distribution.

#### Note:

The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance is not necessarily indicative of future performance and that unit prices and investment returns may fluctuate

# MANAGER'S REPORT (CONT'D)

## FUND'S PERFORMANCE

In 2012, AmanahRaya REIT recorded a total realised income of RM43,386,612, an increase of RM857,293 as compared to the previous year. The increase was mainly due to rental revision of several properties under the portfolio. Interest income has also increased by 15% from RM 833,684 to RM 958,918. AmanahRaya REIT has also recorded a total unrealised income of RM3,500,000 due to the increase in fair value of two of its properties. Net income for distribution increased slightly from RM41,393,876 (7.2213 sen per unit) to RM42,697,383 (7.4487 sen per unit). Fund expenses increased by 6.5% from RM23, 611,185 in 2011 to RM 24,492,481 in 2012. The increase was mainly due to asset enhancement and refurbishment work.

## INCOME DISTRIBUTION

During the period under review, AmanahRaya REIT made the following income distributions:

First Interim	Second Interim	Third Interim	Fourth Final	Total
1.8105	1.8000	1.7888	2.0494	7.4487

For 2012, AmanahRaya REIT distributed in total an income distribution of RM42,697,383 or 7.4487 sen, a slight increase from 2011 income distribution of 7.2213 sen. The fourth and final income distribution of RM11,747,568 has been declared at 2.0494 sen per unit payable on 3 April 2013.

Analysis of income distribution:

	2012	2011	2010	2009
Income distribution per unit (sen)				
- First interim income distribution	1.8105	1.8120	1.8597	3.4190
- Second interim income distribution	1.8000	1.8071	1.9997	-
- Third interim income distribution	1.7888	1.7200	1.7874	-
- Proposed Fourth and final income distribution	2.0494	1.8822	1.6741	3.7360
	<b>7.4487</b>	<b>7.2213</b>	<b>7.3209</b>	<b>7.1550</b>

## NET ASSET VALUE

Net Asset Value (NAV) as at 31 December 2012 is RM1.0586 per unit.

Analysis of net asset value of AmanahRaya REIT since the date of inception is as follows:

	2012	2011	2010	2009
Total net asset value ("NAV") RM:				
- before income distributions	1.1314	1.1197	1.0712	1.0884
- after income distributions	1.0774	1.0475	1.0026	1.0168

# MANAGER'S REPORT (CONT'D)

## UNITS IN ISSUE

As at 31 December 2012, the total number of units issued is 573,219,858.

## GEARING

As at 31 December 2012, AmanahRaya REIT's total debt is RM363, 556,059 with gearing ratio at 34.76%

	2012	2011	2010	2009
Gearing ratio (%)	34.76	34.91	36.36	33.82

## RELATED PERFORMANCE INDICATORS AND BENCHMARKS

	2012	2011	2010	2009
Total return (%)*	9.10	12.11	20.59	(10.67)
Asset Portfolio Turnover (times)**	-	-	0.43	-

\* Total returns is calculated based on the actual gross income distribution and the net change in the weighted average market price for the financial year, over the weighted average market price of the REIT for the respective year.

\*\* Asset Portfolio Turnover is based on the average of total acquisitions and total disposals of investment in AmanahRaya REIT for the financial year ended 31 December 2012 to the average net asset value for the financial year calculated on a daily basis.

## BENCHMARK RELEVANT TO AMANAHRAYA REIT

	2012	2011	2010	2009
Management Expense Ratio ("MER")*	0.80	0.70	0.59	0.38

\* The calculation of MER is based on the total expenses incurred by AmanahRaya REIT, including Manager's fee, Trustee's fee, audit fees, tax agent's fee and administrative expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

# MANAGER'S REPORT (CONT'D)

## CORPORATE PROPOSAL AND DEVELOPMENT

### Acquisition in 2012

There was no acquisition made in 2012.

### Operation Review

In the year under review, property market was stable with some sectors showing signs of softening. The office market was facing a consolidation period with rental and occupancy rates remaining flat. The softening of office sector was evident in Wisma UEP. Since July 2011, occupancy rate of Wisma UEP remained at 30%. However in July 2012, the Manager managed to conclude the sale of Wisma UEP to TNB at RM40 million which was RM1.0 million above book value. The soon approaching expiry date of Wisma Amanah Raya Berhad at Jalan Semantan in January, 2013 is also a major concern of the Manager. Fortunately, CIMB has agreed to extend the tenancy by another six months to July, 2013. The Manager has started to take a proactive action to ensure that Wisma Amanah Raya Berhad Jalan Semantan will continue contributing strongly towards ARREIT earnings next year.

In the year 2012, the following occurred:

#### a. Maintenance and Upkeep of Properties

Under the triple net/ master lessee arrangement, the responsibility of maintaining and upkeeping the property lies on the lessee. Periodical checks on each property will be conducted every 3 months by the Property Managers in which issues and recommendations will be raised and actions to be taken by the Lessee. In 2012 total maintenance expenses was at RM348,949 or 0.52% of total rental received.

#### b. Enhancing Property Values

In the year 2012, two properties underwent asset enhancement exercises:

- (i) Selayang Mall – total replacement of 4 units of lift amounting to RM0.6 million
- (ii) KDNC11 – total refurbishment of cold rooms at RM3.7 million

#### c. Improving the Financial Performance of the Properties

During the financial year, rentals of 6 properties were revised upwards:-

No.	Property	Previous Monthly Rental	Current Monthly Rental	% Increase	Date of Review
1	SEGi University, Kota Damansara	918,000	1,027,083	11.88	January 2012
2	SEGi College, Subang Jaya	273,700	301,875	10.29	May 2012
3	Block A& B, South City Plaza	111,000	120,000	8.11	August 2012
4	Wisma AmanahRaya, Jalan Ampang	550,777	584,157	6.06	August 2012
5	Dana 13	580,908	618,355	6.43	September 2012
6	Wisma Amanah Raya Berhad, Jalan Semantan	321,153	350,499	9.14	November 2012
7	Selayang Mall	776,667	826,667	6.45	December 2012

# MANAGER'S REPORT (CONT'D)

## CAPITAL MANAGEMENT

The Manager has been adopting prudent capital management strategy in managing AmanahRaya REIT portfolio. In addition to the above, the Manager has complied with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of AmanahRaya REIT. As at 31 December 2012, AmanahRaya REIT has achieved a debt level of 34.76% of the total asset level as compared to 34.91% in the previous year.

## MANAGER'S REMUNERATION

Pursuant to the Deed dated 10 October 2006, the Manager is entitled to receive from AmanahRaya REIT a base fee (exclusive of GST, if any) of up to a maximum of 1.0% per annum of the net asset value of AmanahRaya REIT calculated on a daily basis. During the financial year, the Manager received a total fee amounting to RM3, 628,289 calculated at 0.60% of net asset value of AmanahRaya REIT payable monthly.

## SIGNIFICANT EVENTS OCCURRED DURING THE YEAR

For the year under review, the following events took place:

1. Asset enhancement exercise was conducted on two properties under AmanahRaya REIT portfolio as listed below:
  - (a) Selayang Mall – total replacement of lifts estimated at RM0.9m
  - (b) KDNC 11 – total refurbishment of cold rooms of RM 3.7m
2. In June, CIMB Islamic Trustee, the trustee of AmanahRaya REIT entered into a Sale and Purchase agreement with TNB on the disposal of Wisma UEP for RM40m. Also, a term sheet was signed between CIMB Islamic Trustee and Permanis pertaining to the sale of Permanis factory to the latter at RM31m.
3. The Manager redeemed a bank guarantee of 1 year rental deposit from RHB Bank following Silver Bird's inability to pay rental since January 2012. The redeemed deposit was used as advanced rental for lease period up to January 2013. The lease with Silver Bird was then extended up to August 2013.
4. E-dividend payment was implemented.
5. As at 31 December 2012, the number of unitholders increased by 23% representing a total of 3,458 unitholders compared to a total of 2,809 unitholders in 2011.

# MANAGER'S REPORT (CONT'D)

## MOVING FORWARD

### Acquisition

Moving forward, the Managers will focus on three sectors i.e. office, retail and industrial for future acquisition. The Manager has identified several properties with total estimated value of about RM300 million for potential acquisition. The Manager is confident of increasing its asset value by at least another RM200 million next year through acquisition.

### Financial Performance

AmanahRaya REIT will continue to maintain its performance in 2013. The Manager is confident of delivering DPU in the region of 7.0 sen per unit in 2013.

## SOFT COMMISSION

During the financial year under review, the Manager did not receive any soft commission from its broker or any parties by virtue of transactions conducted by the Trust.

## RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year ended 31 December 2012 other than those disclosed in the Statement of Changes in Net Asset Value.

## INFORMATION ON THE FINANCIAL STATEMENTS

In arriving at the financial statements of AmanahRaya REIT, the Manager took reasonable steps:

- a. to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that no allowance for doubtful debts is required.
- b. to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected so to realise.

As at the date of this report, the Manager is not aware of any circumstances:

- a. that would require the writing off of bad debts, or the allowance for doubtful debts in the financial statements of the Company; or
- b. which would render the values attributed to current assets in the financial statements of AmanahRaya REIT misleading; or
- c. which have arisen and render adherence to the existing method of valuation of assets or liabilities of AmanahRaya REIT misleading or inappropriate.
- d. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of AmanahRaya REIT as misleading.

# MANAGER'S REPORT (CONT'D)

## INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

At the date of this report, there does not exist:

- a. any charge on the assets of AmanahRaya REIT which has arisen since the end of the financial year which secures the liability of any other person, except as disclosed in Note 5 to the financial statements; or
- b. any contingent liability of AmanahRaya REIT which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year of which, in the opinion of the Manager, will affect the ability of AmanahRaya REIT to meet its obligations as and when they fall due.

## OTHER STATUTORY INFORMATION

The Manager states that:

As at the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of AmanahRaya REIT which would render any misleading amount stated in the financial statements.

The Manager opines:

- a. that the results of the operations of AmanahRaya REIT during the financial year under review were not substantially affected by any item, transaction or event of material and unusual in nature; and
- b. that there were no transactions or events of material and unusual in nature that are likely to affect substantially the results of the operations of AmanahRaya REIT arisen during the interval between the end of the financial year under review and the date of this report.

## AUDITORS

The auditors, Messrs BDO, have indicated their willingness to accept re-appointment.

This concludes the Manager's Report.

For and on behalf of AmanahRaya-REIT Managers Sdn Bhd signed in accordance with a resolution of the Directors.

**Tan Sri Dato' Ahmad Fuzi Bin Abdul Razak**

Kuala Lumpur  
21 February 2013

## 1. Overview of Malaysian Economy in 2012

Malaysian Economy measured in terms of Gross Domestic Product (GDP) reflected higher growth for 3Q 2012 at 5.2% compared to 3Q 2011 at 5.8%. GDP expanded by 5.1% in 2011 whilst GDP growth in 3Q 2012 is stronger than expected by many various international agencies. Private and public sector recorded a robust growth for consumption at 8.5% and 2.3% respectively in 3Q 2012 supported by a strong domestic demand. GDP review by Malaysian Institute of Economic Research (MIER) stated that throughout 2012, GDP is forecasted to maintain at 5.1%.

**Chart 1: Key Economic Indicators, 2000 – 3Q 2012**



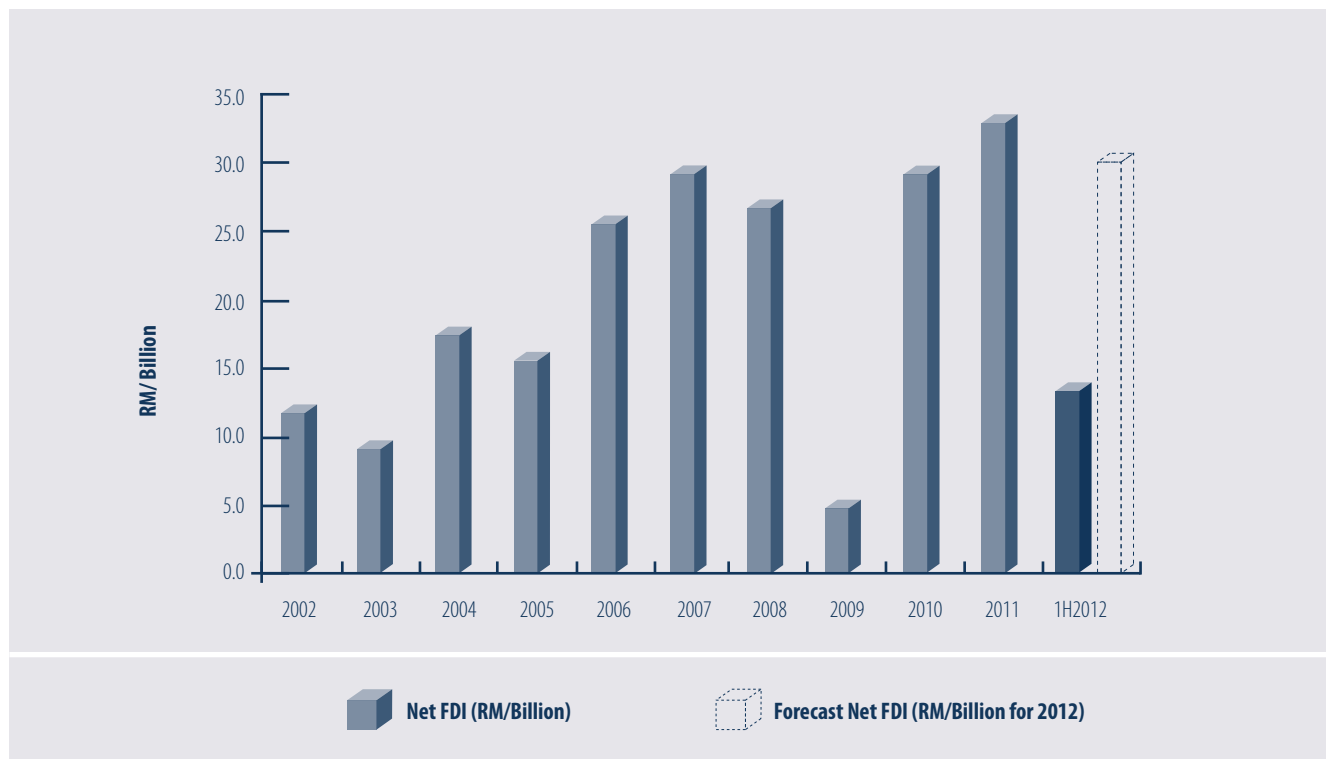
Source: Bank Negara Report/Economic Planning Unit, 3Q 2012

Despite the challenging global economic condition, Foreign Direct Investment (FDI) into Malaysia grew significantly by 12.3% last year compared to the previous year. Its amount has increased to RM32.9 billion (2011) from 29.3 billion in 2010. In 1H 2012 this year, net inflow of FDI only reached RM13.6 billion compared to RM21.3 billion in 1H 2011. The amount contributed by the manufacturing sector last year is RM16.5 billion, about 2.5% increase from amount in 2010.



## 1. Overview of Malaysian Economy in 2012 (cont'd)

**Chart 2: Foreign Direct Investment Inflows**



Source: Bank Negara Report, Malaysian Investment Development Authority (MIDA)

In 2011, among the foreign investors country of origin, Japan contributed the highest with investments totaling RM10.1 billion followed by South Korea with RM5.2 billion. Other countries include United States, Singapore and Saudi Arabia. Economic corridors conducted within several regions in the country marked about RM34.7 billion investments approved in the manufacturing sector.

In 2012, MIDA forecasted that FDI should reach about RM30 billion, with Japan still maintaining as main contributor. Japan's FDI for the first 7 months this year recorded USD 578.3 million (RM1.76 billion), being the second highest after Saudi Arabia at USD 843.32 million (RM2.57 billion). We believe that FDI contribution from Japan would still be the largest, surpassing Saudi Arabia, for the whole year of 2012.

Bank Negara Malaysia is focused on sustaining economic growth and preventing the financial imbalances. A better performance is observed for the second quarter of 2012, with the support of strong domestic-oriented industries and firm domestic demand. Real estate and business services have experienced higher growth at 7.6% compared to the first quarter this year's figure of 6.9%. The growth reflects potential for office space demand to support the growth of businesses and professional services.

The government's implementation of Economic Transformation Programme (ETP) projects such as the proposed MRT (Mass Rapid Transit) and the KL-Singapore high speed rail system are expected to create a momentum on the appreciation in prices for the developments near the alignment.

## 2. Retail

The consumer price index is moderate in third quarter this year amidst strong support by domestic demand. Bank Negara Malaysia has taken measures to tighten financial policy due to uncertainties in global market. Therefore, consumers tend to be more careful in their spending. In 3Q 2012, Malaysia's inflation measured by the Consumer Price Index rose by about 1.3%, y-o-y growth. Bank Negara Malaysia highlighted on food rising cost impact towards the slight increase in inflation. Growth in the country's retail industry moderated to 4.4% in 3Q 2012, however lower than the 3Q 2011, being 9.0%. Throughout this year, a retail consulting firm, Retail Group Malaysia expected 6% growth for Malaysia's Retail Industry.

The total net lettable area of existing retail space in Klang Valley (specifically in Kuala Lumpur and Selangor) has increased by 11.50% in first half this year compared to last year. In terms of figure, it has increased from 50.7 million sq ft in 3Q 2011 to 56.5 million sq ft 3Q 2012. This year, two new shopping malls, Paradigm Mall in Kelana Jaya and Setia City Mall in Shah Alam has opened, topping about 1.44 million sq ft to the current supply. Completion for expansion of additional retail space in Suria KLCC added 140,000 sq ft to the market. Further away from the city lies a newly opened Giant Hypermarket (65,000 sq ft+) located in Kota Seri Langat, Banting.

Currently, the upcoming of retail centres under construction and existing malls undergoing renovation for extension shows encouraging progress. An estimated size of about 8.0 million sq ft of net lettable area is expected to be ready by 2019. Apart from the well-known concentrated area in Klang Valley such as Bangsar and Petaling Jaya, Selayang is one of the closest area to KL city centre. Several upcoming retails are taking place in Selayang such as Selayang Boulevard and a 4-storey mall within Emerald Avenue development.

The average occupancy rates of shopping complexes in Klang Valley decreases for Kuala Lumpur (86.9% to 82.3%) and Selangor (85.6% to 76%) from Q3 2011 to Q3 2012. The significant decrease in occupancy rates especially in Selangor might be the effect from sizeable new retail spaces injected to the market this year such as Setia City Mall in Shah Alam and Paradigm Mall in Kelana Jaya.

Specifically in Selayang area, notable retail centres being Selayang Mall, Selayang Capitol, NSK Hypermarket and Giant Hypermarket Batu Caves registered high occupancy rates, being close to 100% occupied.

There are several retail centres transacted this year within Klang Valley area with transacted prices from RM612psf (Oasis Retail Mall) to RM1,989psf (Mid Valley Megamall). Among them are prominent landmarks of Bangsar such as Mid Valley Megamall and The Gardens Mall. Others to note are Kompleks Sg Buloh and Oasis Retail Mall. Two big retailers from Thailand and South Korea might be entering the Malaysian market next year with their respective retail store brands, Central and Lotte. Among the recent brands which have entered the retail market this year is H&M and Bershka.

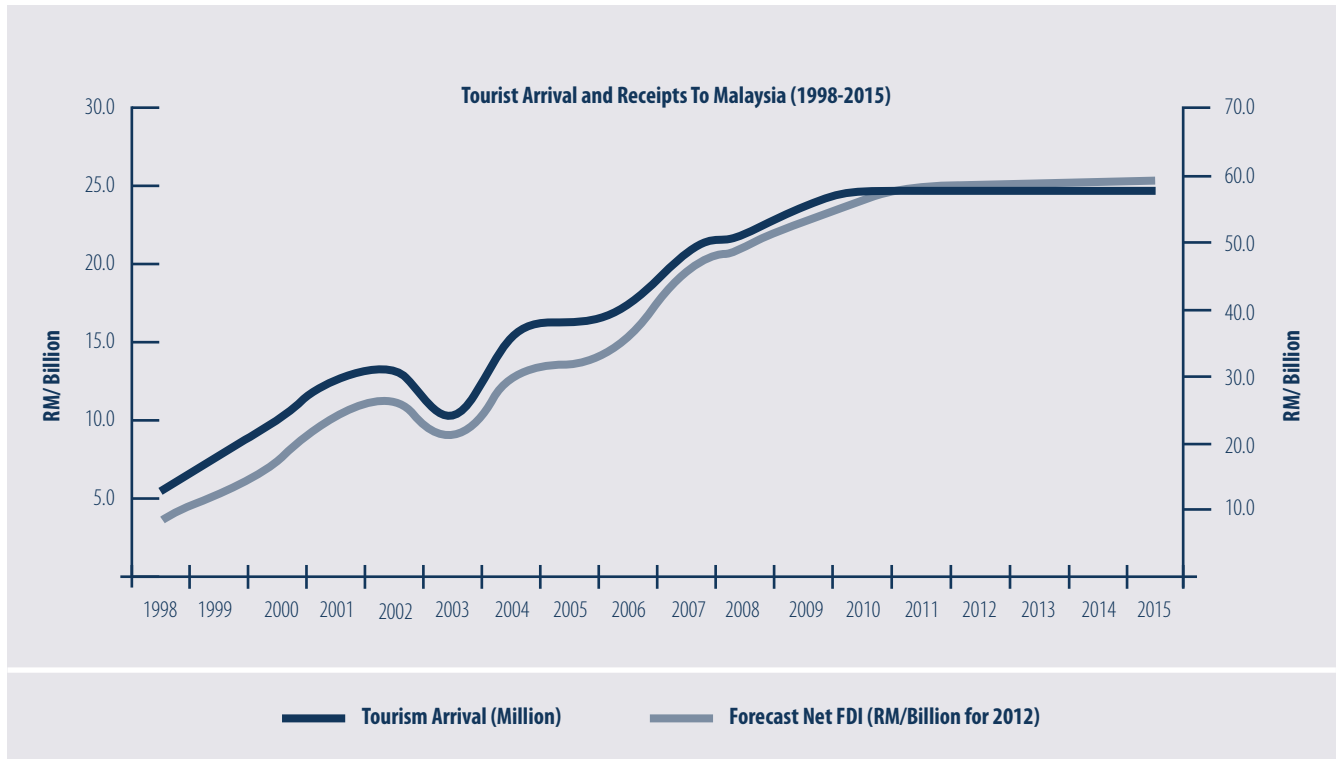
**Table 1: Transactions of Selected Retail Centres within Klang Valley in 2012**

Property	NLA (sq ft)	Vendor	Purchaser	Consideration (RM)	RM (psf)	Date
Mid Valley Megamall Lingkar Syed Putra	1,729,108	KrisAsset	IGB REIT	3,440,000,000	1,989	Q3
The Gardens Mall Lingkar Syed Putra	814,860	KrisAsset	IGB REIT	1,160,000,000	1,424	Q3
Kompleks Sg Buloh Bandar Baru Sg Buloh	NA	Tat Seng Fatt Holdings S/B	The Store Malaysia) S/B	(68,500,000)	na	Q3
Oasis Retail Mall Damansara area	134,770	Sime Darby Ara Damasara Development S/B	Brunsfeld Oasis Square S/B	82,535,297	612	Q3

Source: Rahim & Co. Research

3. Hotel

Chart 3: Tourist Arrival and Receipts, 1998 – 2015



Source: Tourism Malaysia

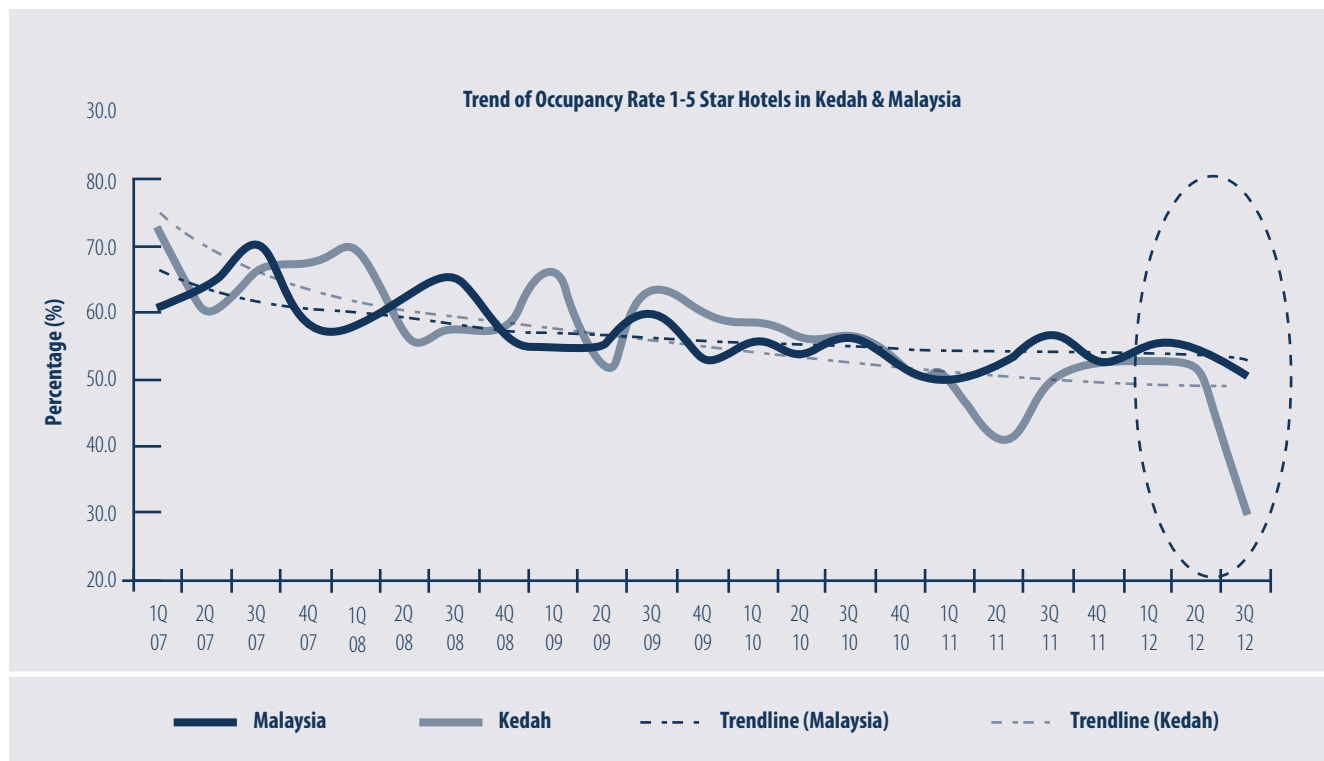
In 2011, the number of tourists' arrival in Malaysia grew softer by about 0.4% y-o-y growth to 24.71 million compared to 24.6 million in 2010. The growth slowed down compared to its momentum at 4.24% y-o-y growth in 2009/2010. Up to middle of this year, the number has increased by about 2.4%.

Currently, Air Asia and Malaysia Airlines (MAS) conducted fewer trips to some of their destinations and even stopped their flights to some countries. To date, it is reported that early this year, Air Asia announced the suspension of its flight routes to London, Paris, Christchurch (New Zealand), Mumbai, and New Delhi.

The Euro zone crisis created an impact towards a weaker demand of European tourists visiting this country. The new regulation in escalating Air Passenger Duty taxes in Britain forced Air Asia to surrender its operations there. Malaysia Airlines has also terminated its trip for Perth-Kota Kinabalu and Kuala Lumpur-Johannesburg and Cape Town earlier this year. The suspension of flight destinations coupled with fewer trips to some of the countries created inconvenience of transportation for visitors into the country.

3. Hotel (cont'd)

Chart 4: Overall Occupancy Rate of Hotels in Malaysia & Kedah



Source: Leisure Property Stock Report

The trend of average occupancy rate in Malaysia and Kedah witnessed gradual decrease throughout the past 5 years. Average occupancy rate for hotels in Kedah hovers around 50% for the first half of this year before it drastically fell to about 30%. Kedah’s tourism sector relies heavily on Langkawi as its main tourist attraction. However, a severe decrease occurring in 3Q 2012 indicated that Langkawi has become less popular as a tourist destination. Following thereto, the government has unveiled Langkawi’s new branding, ‘Naturally Langkawi’ to give Langkawi a new positioning that emphasizes the island as a natural haven for tourists.

The existing supply of hotel rooms in Malaysia and Kedah increased by 5.4% and 1.5% respectively. Generally in 3Q 2012, Kedah made about 5.4% of existing rooms supply in the country (9,804 rooms-Kedah over a total 182,801 rooms-Malaysia). As at 3Q 2012, selected hotels in Alor Setar and Langkawi are rented out at average room rate ranging from RM188 per night to RM250 per night for standard rooms depending on size and type. The higher end hotels offer rooms at an average of RM3,500 per room per night. Other non-standard sizes (Presidential Suite, Villa, offering luxury space and decoration) offers average room rates from RM7,690 per night and one is even priced at RM13,000 per night.

### 3. Hotel (cont'd)

**Table 2: Occupancy rate for the selected hotels:**

Hotel	Location	Occupancy Rate in 2012 (%)
Sentosa Regency Hotel	Alor Setar	55% - 60%
Andaman Langkawi Resort	Langkawi	62.5%
The Datai Langkawi Resort	Langkawi	55%
Meritus Pelangi Beach Resort & Spa	Langkawi	56.15%

Source: Rahim & Co. Research

The implementation of Langkawi Tourism Blueprint by the government last year is reported to have improved the passenger traffic via Langkawi International Airport by 11.9%. Its main three themes of product, infrastructure and enabler covers basic needs for tourists and their experience while visiting the country.

### 4. Office Sector

Office market in Klang Valley generally is adjusting to new supply of offices absorbed this year. About 3 million sq ft of office spaces have been completed so far and is currently searching for tenants. Some of the new buildings are targeted for established companies, such as Felda in Menara Felda and Shell Malaysia in 348 Sentral. Meanwhile, several transactions took place including Wisma UEP by AmanahRaya-REIT, transacted at RM40 million, (RM201psf). Others are located in Bangsar South and the highest was transacted for Menara Tun Razak at RM510 million translated to RM1,160psf. Owners are struggling with creative ideas in offering attractive rental packages and office designs. Supply for office buildings in Klang Valley has increased by about 4% from 100.7 million sq ft in 3Q 2011 to about 104.8 million sq ft in 3Q 2012.

About 4.8 million sq ft of office space entered Klang Valley market this year, where new completions of some office buildings took place such as Menara Felda, Dua Sentral, Q Sentral and Menara Binjai, Integra@Intermark, 348 Sentral, Petronas Tower 3 and Menara Darussalam amongst others.

In the years to come, more office spaces are expected to come in such as Menara LGB in Taman Tun Dr Ismail, Mercu Mustapha Kamal in Damansara Perdana, coupled with the government initiative to introduce its mega projects such as Tun Razak Exchange (TRX), Menara Warisan Merdeka and Bandar Malaysia. There are also buildings to be demolished such as Crowne Plaza Mutiara Hotel and Kompleks Antarabangsa to build with mixed commercial development (including office building).

4. Office Sector (cont'd)

**Table 3: Occupancy and Rental Rates of Selected PBOs within ARREIT Locality, 2012**

Name of Building	Location	Occupancy Rate (%)	Asking Rental Rate (RM psf)
Menara Citibank	Jalan Ampang	Almost 100%	8.50
Menara Maxis	Jalan Ampang	100%	10.00
Wisma Selangor Dredging	Jalan Ampang	98%	6.80
Sunway Tower	Jalan Ampang	80%	6.00
Menara Safuan	Jalan Ampang	85%	3.50 – 4.00
Bangunan Am Finance	Jalan Ampang	97%	6.00
Kenanga International	Jalan Ampang	97%	5.50
Menara IMC	Jalan Ampang	100%	8.50
Plaza OSK	Jalan Ampang	100%	5.50
Menara Great Eastern	Jalan Ampang	90%	5.00
Vista Tower	Jalan Tun Razak	93%	8.50
The ICON	Jalan Tun Razak	90%	8.00
GTower	Jalan Tun Razak	89%	8.50
Menara Manulife	Damansara Heights	97%	4.80
Menara Millenium	Damansara Heights	98%	5.00
Menara HP	Damansara Heights	80%	5.00
Bangunan Malaysia RE	Damansara Heights	100%	5.50
Wisma E&C	Damansara Heights	90%	4.50
Wisma Chase Perdana	Damansara Heights	98%	3.70
Plaza Damansara A	Damansara Heights	90%	3.50
Wisma UOA Damansara I	Damansara Heights	100%	5.00
Wisma UOA Damansara II	Damansara Heights	100%	5.00
Mines Waterfront Biz Park	Seri Kembangan	95%	3.50 – 4.00
Mines 2	Seri Kembangan	78%	4.50 – 4.80

Source: Rahim & Co. Research

The rental rates of selected office buildings within AmanahRaya-REIT's area are as shown in Table 3 above. The rental rate ranges from a minimum of RM3.50psf to RM10.00psf. The highest rental rate at RM10.00psf by Menara Maxis is reduced about 5% from RM10.50psf last year. Some of the offices in the city fringe area increased its rental rate compared to last year. For example, the rental rate in Mines Waterfront Biz Park increased from RM3.70psf to RM4.00psf, Mines 2 increased from RM4.50psf to RM4.80psf and Bangunan Malaysia RE in Damansara Heights increased from RM4.50psf to RM5.50psf.

The demand for office building in Kuala Lumpur decreases in average occupancy rate from 79.6% in 3Q 2011 to 78.5% in 3Q 2012 (a decline of 1.1%), hinting a cooling down of the market. Similar pattern is also noticed in Selangor, whereby average occupancy rate decreases from 85.6% in 3Q 2011 to 78.1% in 3Q 2012. Selected office buildings as tabulated below shows recorded occupancy rate from 78% (Mines 2, Seri Kembangan) to 100% (Menara Maxis, Wisma UOA I and II).

#### 4. Office Sector (cont'd)

**Table 4: Selected Transactions of PBOs, 2012**

Office Building	Tenure	NLA (sf)	Consideration (RM)	RMpsf	Period
<b>Tower 8, Horizon Ph2</b>					
Bangsar South	Leasehold	100,000	93,800,000.00	938	Q2
<b>Menara Tun Razak</b>					
Jalan Tun Razak	Freehold	439,800	510,000,000.00	1,160	Q2
<b>Tower 6 Horizon</b>					
Bangsar South	Leasehold	146,000	102,200,000.00	700	Q3
<b>Wisma UEP (ARREIT)</b>					
Subang	Freehold	198,499	40,000,000.00	201	Q2

Source: Rahim & Co. Research

#### 5. Industrial

The manufacturing sector remains as one of the major contributor towards Malaysian Gross Domestic Product (GDP). Currently, industrial properties contributed to about 2.18% of total property transactions in the country. In Q3 2012, the number of industrial properties in Klang Valley rose by 36% from 29,346 units to 39,911 units. Industrial activities within the Klang Valley area are established mainly in the State of Selangor, which marked about 2.9% of total property transactions. Some active industrial spots to note are Petaling Jaya, Subang Jaya, Shah Alam, Klang and Bangi.

Both volume and value of transaction (RM2.9 bil to RM2.6 bil) of industrial properties in Selangor decreased by 27% and 10% respectively between 1H2011 and 1H2012. Terraced factory is the most preferred type in the industry even though the number of transaction dropped significantly by about 30% (1,046 to 733 units). The price range of most transacted units have also reached RM1 million and above. Based on the REITs' surrounding area, industrial components are dominated by semi-detached and detached factories.

Rental rates for selected industrial properties as listed below have generally increased from last year. The highest rental rate analyzed per square foot ranges from RM1.00psf to RM2.50psf with percentage increase between 7% and 25%.

**Table 5: Rental Rates of Industrial Properties within ARREIT Locality**

Area	Property Address	Type of Industrial	B/Up (sf)	Asking Rental (RM/sf), 4Q 2011	Asking Rental (RM/sf), 4Q 2012
<b>Shah Alam</b>	Bukit Kemuning	Warehouse	20,000 - 40,000	0.90 - 1.40	1.50
	Section 15	Warehouse	13,500 - 18,000	1.11 - 1.40	1.30 - 1.50
	Bukit Jelutong	Warehouse	30,000 - 50,000	1.90 - 2.30	2.00 - 2.50
	Temasya Industrial Park	Factory	10,000 - 20,000	1.90 - 2.20	2.00 - 2.50
	Section 27	Terraced	4,000 - 6,000	1.00 - 1.40	1.00 - 1.50
	Hicom Glenmarie	Detached	30,000 - 43,000	2.00 - 2.50	2.00 - 2.50
<b>Bangi</b>	Bandar Baru Bangi	Factory	55,000 - 60,000	1.30 - 1.70	1.50 - 1.90
	Bandar Baru Bangi	Factory	5,000 - 12,000	1.20 - 1.40	1.40 - 1.60
<b>Klang</b>	Telok Gong	Warehouse	52,000 - 68,000	0.80 - 1.00	0.70 - 1.10
	Telok Gong	Factory	56,000 - 65,000	0.65 - 0.80	1.60 - 1.00

Source: Rahim & Co. Research

5. Industrial (cont'd)

Table 6: Transactions of Industrial Properties Within ARREIT Locality, 2012

Description	Mukim	Location	Transaction Date	Vendor	Purchaser	Consideration (RM - Mill)
<b>Damansara</b>						
1-storey warehouse	Damansara	Petaling Jaya	Aug, 2012	Noble Star Services Sdn Bhd	PJI Holdings Bhd	13,200,000 (RM233psf)
2-storey semi-d	Damansara	Temasya Industrial Park	Apr, 2012	Dergo Sdn Bhd	Cieba Capital Sdn Bhd	4,380,000 (RM632psf)
1½-storey terraced factory	Damansara	Sime-UEP Industrial Park	Sept, 2012	YGL Enterprise Sdn Bhd	Achievement Plan Sdn Bhd	1,000,000 (RM290psf)
4-storey detached factory	Damansara	Sime-UEP Industrial Park	Feb, 2012	Pembinaan JBBS Sdn Bhd	ETAH Sdn Bhd	15,000,000 (RM162psf)
<b>Shah Alam</b>						
Vacant Industrial land	Bandar Shah Alam	Seksyen 23, Shah Alam	March, 2012	Sri Mujur Maju Sdn Bhd	Potensi Rajawali Sdn Bhd	45,419,167 (RM75psf)
1-storey detached factory	Bandar Shah Alam	Pekon Hicom, Seksyen 26, Shah Alam	March, 2012	Spansion (Kuala Lumpur) Sdn Bhd	Current Connection Sdn Bhd	125,000,000 (RM694psf)
Industrial land	Bandar Shah Alam	Seksyen 15, Shah Alam	May, 2012	PCM Bina Sdn Bhd	Magna Ecocity Sdn Bhd	100,000,000 (RM115psf)
1-storey detached factory	Bandar Shah Alam	Seksyen U1, Hicom Glenmarie Ind. Park	May, 2012	Ng Yoke Teng & Sons Sdn Bhd	Metrarama Sdn Bhd	15,000,000
<b>Klang</b>						
1-storey detached factory	Kapar	Meru Klang	March, 2012	Dulon Industries Sdn Bhd	Notion Venture Sdn Bhd	17,500,000 (RM128psf)
1½-storey semi-d factory	Klang	Bukit Kemuning Light Industrial Park	June, 2012	Southern Cable Sdn Bhd	Kenneth Stothard	2,350,000 (RM602psf)
3-storey semi-d factory	Klang	Perindustian Sg Jati, Klang	May, 2012	Himpun Menang Sdn Bhd	Besprin Computer Forms Sdn Bhd	3,976,200 (RM456psf)
1-storey detached factory	Klang	Kawasan Industri Kg Bharu Pandamaran	Feb, 2012	Superior Accomplishment Sdn Bhd	Worthy Warehousing Sdn Bhd	8,997,072 (RM200psf)
<b>Bandar Baru Bangi</b>						
Vacant Industrial land	Bandar Baru Bangi	Seksyen 16, Bandar Baru Bangi	Jan, 2012	Hitachi Electronic Products (Malaysia) Sdn Bhd	Hitachi Transport System (M) Sdn Bhd	15,800,000 (RM30psf)
1½-storey semi-d factory	Kajang	Taman Perindustrian Alfa Impian	Sept, 2012	Integrated Plastic Kogyo (M) Sdn Bhd	De Sun Ceil Sdn Bhd	2,770,000 (RM786psf)
4½-storey detached factory	Kajang	Seksyen 13, Bandar Baru Bangi	Feb, 2012	Dunham Bush Holdings Bhd	YSP Industries Sdn Bhd	9,000,000 (RM278psf)

Source: JPPH



5. Industrial (cont'd)

**Table 6: Transactions of Industrial Properties Within ARREIT Locality, 2012 (cont'd)**

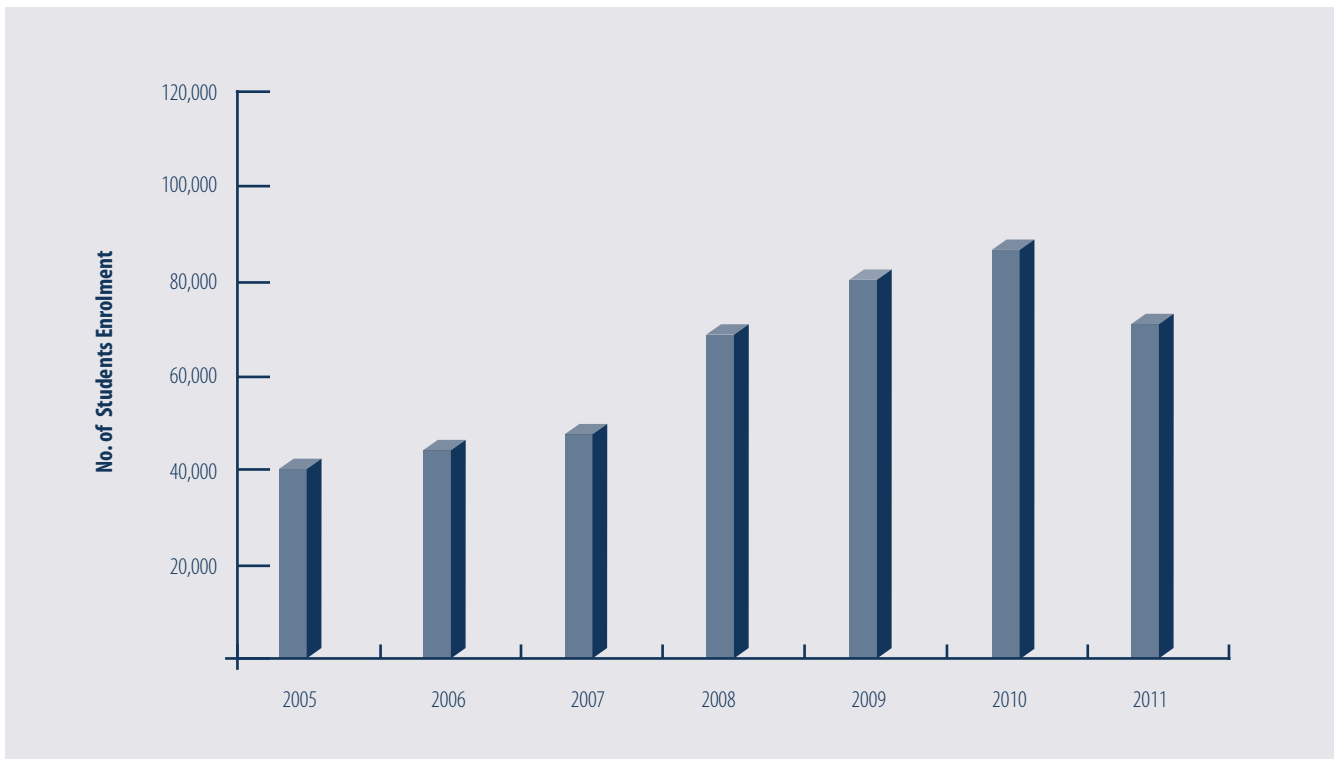
Industrial sector in selected areas within Klang Valley with built up areas were transacted from RM128psf to RM694psf. Vacant industrial lots hover between RM30psf to RM115psf.

The highest price transacted was RM125 million (RM694psf) marked by a 1-storey detached factory in Section 26, Shah Alam. In terms of price per square foot, a 1½-semi-detached factory in Taman Perindustrian Alfa Impian, Kajang recorded highest at RM786psf. The active motion for industrial activities is also supported by government initiatives in creating job opportunities hence reducing unemployment rate in the country.

Sales manufacturing value improved to RM52.6 billion in September this year from RM50.9 billion last year. Manufacturing of semi-conductor devices recorded the highest increase in value by 46.7% from RM3.86 billion to RM5.66 billion.

6. Education Sector

**Chart 5: Total Enrolment of International Students in Public and Private Higher Education Institutions in Malaysia**



Source: Ministry of Higher Education

The number of international students' enrolment dropped to 71,101 by about 18% in 2011 from 2010. So far, the number of international students' group in Malaysia continuously grew by about 36% from 2008 with 69,164 students to 86,923 in 2010. However, due to the challenging economic condition in the European region followed by political instability in the Middle Eastern countries, the number of students expected for enrolments this year might stand still or will be slightly reduced.

## 6. Education Sector (cont'd)

**Chart 5: Total Enrolment of International Students in Public and Private Higher Education Institutions in Malaysia (cont'd)**

According to the higher education minister, the total number of students at higher education level in Malaysia is made by a composition within IPTA, IPTS, Polytechnic Colleges and Community Colleges. In the previous year, enrolment of students decreased by about 7%. Notable decrease is observed for students in IPTS and Community Colleges, where percentage change in 2010/2011 shows decrease of 20.8% and 65.2% respectively. Looking at the figures, even the number of student entries declined with percentage analyzed at 6.7%. With the challenging global economic conditions, students' choices of study are driven towards IPTA whereby the fees are lower than in IPTS.

**Table 7: No. of Universities in IPTA/IPTS, Malaysia, 2010/2011**

Institution	Year/No of Universities	
	2010	2011
<b>List of Public Higher Learning Institutions in Malaysia (IPTA)</b>		
University	20	20
<b>List of Private Higher Learning Institutions (IPTS)</b>		
University	23	36
Branch Campus of Foreign University	5	4
University College	21	15
<b>Total</b>	<b>69</b>	<b>75</b>

Source: Ministry of Higher Education

**Table 8: No. of Students in Higher Institutions Malaysia, 2010/2011**

No. of Students	Year	Entries	Enrolment	Graduates	% Change (Enrolment)
<b>Public University (IPTA)</b>	2010	167,159	462,780	108,331	9.83%
	2011	188,766	508,256	104,291	
<b>Private University (IPTS)</b>	2010	160,484	541,629	80,605	-20.80%
	2011	125,845	428,973	54,397	
<b>Polytechnic</b>	2010	41,332	87,642	32,503	1.88%
	2011	39,525	89,292	33,310	
<b>Community College</b>	2010	10,689	18,160	7,460	-65.20%
	2011	-	6,319	6,624	
<b>Total No. of Students</b>	<b>2010</b>	<b>379,664</b>	<b>1,110,211</b>	<b>228,899</b>	<b>-6.97%</b>
	<b>2011</b>	<b>354,136</b>	<b>1,032,840</b>	<b>198,622</b>	

Source: Ministry of Higher Education

The total number of universities increased about 8% from 69 universities in 2010 to 75 universities in 2011. However total entries and enrolments of students decreased by 7% from about 1.49 million in 2010 to about 1.39 million in 2011.

6. Education Sector (cont'd)

Table 9: No. of Students Entries Based on Course, 2010/2011

No of Students Entries Based on Course	2010	2011	% Change 10/11	Contribution
Basic Programmes	-	10,143	-	2.86%
Education	22,630	32,457	43%	9.17%
Arts & Humanities	40,742	32,074	-21%	9.06%
Social Sciences, Business & Law	125,160	120,850	-3%	34.13%
Science, Mathematics & Computer	49,435	43,159	-13%	12.19%
Engineering, Manufacturing & Construction	91,161	77,670	-15%	21.93%
Agriculture & Veterinary	2,669	4,169	56%	1.18%
Health & Welfare	30,442	18,416	-40%	5.20%
Services	17,425	15,198	-13%	4.29%
<b>Total</b>	<b>379,664</b>	<b>354,136</b>	<b>-7%</b>	<b>100%</b>

Source: Ministry of Higher Education

Listed above are courses offered for student entries into four main channels of higher education mentioned in the first table. In 2011, the majority of students enrolled in universities are taking professional courses i.e business, law, science, engineering, manufacturing, construction, which is about 70% of the total enrolment. However, in comparison between 2010 and 2011, student entries in education, agriculture and veterinary sector increased by 43% and 56% whilst others dropped. Students' attitude towards education in Malaysia is not encouraging this year despite the increase in population.

Table 10: Distribution of Foreign Students' Origin in IPTS, 2010/2011

Ranking	2010	Enrolment	Ranking	2011	Enrolment
1	China	8,046	1	China	5,272
2	Iran	7,009	2	Indonesia	4,806
3	Indonesia	6,119	3	Nigeria	4,684
4	Nigeria	5,080	4	Iran	3,940
5	Yemen	4,057	5	Yemen	1,713
6	Sudan	2,241	6	Bangladesh	1,702
7	Botswana	1,909	7	United Kingdom of Great Britain & Northern Ireland	1,530
8	Saudi Arabia	1,584	8	Sudan	1,460
9	Bangladesh	1,503	9	Pakistan	1,346
10	Korea	1,426	10	Botswana	970
<b>Total Foreign Students' Enrolment</b>		<b>86,923</b>	<b>Total Foreign Students' Enrolment</b>		<b>71,101</b>

Source: Ministry of Higher Education

Top 10 foreign countries having their students in Malaysia based on the highest students' enrolment has changed from 2010 to 2011. China remains in the first rank, although the number of students have been reduced by about 35%. Korean students are not entitled to any rank in 2011 despite being listed in the top ten list in the previous year. The number of International students in Malaysia reflected a significant decrease from last year. Total students in the top 10 dropped from 38,974 in 2010 to 27,423 in 2011 (about 30%).

## 6. Education Sector (cont'd)

The economic crisis which occurred in the Euro zone had created a global impact towards other countries. Furthermore, this condition worsens with the political instability in the Middle East. In addition, fewer trips and suspension of airlines routes may be a reason that affects students' travelling pattern.

### 2013 Outlook

Property market will be more challenging in 2013. Economic crisis epidemic in the United States of America, coupled with turmoil in the European countries are affecting other countries as well. During this time, Malaysia is struggling to maintain its momentum in terms of its investment and financial strategy. Bank Negara Malaysia tried to rectify the condition by implementing a stringent lending policy whilst the government provides support to the people through certain schemes such as Bantuan Rakyat 1 Malaysia (BR1M) and Perumahan Rakyat 1 Malaysia (PR1MA).

Economic growth in Malaysia grew more than expected at 5.2% in 3Q 2012. Throughout this year, GDP is forecasted to maintain at 5.1%. Malaysian economy continues its strength with its major support driven by domestic sectors industries as well as domestic demand.

The emergence of new offices in the market creates stiff competition with existing offices. Rental rates tend to be pressured down especially within the KL city centre whilst tenants can choose to have their offices at a better location and with lower rental - a pattern to decentralize towards the fringe of the city centre. Recent completed buildings are located within KL city centre and KL Sentral such as Menara FELDA, Menara Binjai, Dua Sentral and Q Sentral. About 4.8 million sq ft of office Net Lettable Area including the new buildings are going to compete in the current market by end of the year.

Retail spaces in Klang Valley such as Suria KLCC, Mid Valley Megamall, Berjaya Time Square and IKEA/Ikano/The Curve have become attractions for local and international shoppers. Several new and extended shopping malls which opened this year brings up a total of about 1.6 million sq ft in terms of Net Lettable Area. In the future, about 8.0 million sq ft is expected to be ready by 2019. However, rental rate is expected to soften or remain stagnant with a lower average occupancy rate recorded for Kuala Lumpur (86.9% to 82.3%) and Selangor (85.6% to 76.0%).

The slower growth of tourist arrival in Malaysia last year at 0.4% y-o-y growth in the previous year reflected the impact of the U.S and Eurozone economic crisis towards the tourism industry in the country. Airlines have scheduled fewer routes than usual and there are more suspended routes. This has also caused a decrease in the number of international students last year from 2010.

Overall, the Malaysian property market remains active with support from the government sector in terms of endorsing schemes such as Perumahan Rakyat 1 Malaysia (PR1MA) and budget allocation (Budget 2013) for developers to work on projects under the Economic Transformation Programme (ETP), affordable housing and rural developments. Towards 2013, more projects are expected to be injected to the market whilst the government is working on with Economic Transformation Programme to create higher income nation by 2020.

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# STATUTORY FINANCIAL STATEMENTS



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## STATEMENT BY DIRECTORS OF THE MANAGER

In the opinion of the Directors of AmanahRaya REIT Managers Sdn. Bhd. ("the Manager"), the financial statements set out on pages 91 to 130 have been drawn up in accordance with the provisions of the Novation Agreement dated 27 August 2009 in respect of the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007) and the Second Supplemental Trust Deed dated 27 August 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "Trust") as at 31 December 2012 and of the financial performance and cash flows of the Trust for the financial year then ended.

Signed on behalf of the Manager,  
AmanahRaya-REIT Managers Sdn. Bhd.,  
In accordance with a resolution of the Directors of the Manager



Tan Sri Dato' Ahmad Fuzi Bin Abdul Razak  
Director

Kuala Lumpur  
21 February 2013

## STATUTORY DECLARATION

I, ADENAN MD YUSOF, being the officer of the Manager, AmanahRaya-REIT Managers Sdn. Bhd., primarily responsible for the financial management of AmanahRaya Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 91 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed at Kuala Lumpur in the Federal Territory  
on 21 February 2013



Adenan Md Yusof

Before me,

Commissioner for Oaths



Tkt. 5, Wisma Harwant  
106 Jalan Tuanku Abd Rahman  
50100 K. Lumpur HP: 019-233 4416



# REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

We, CIMB Islamic Trustee Berhad (formerly known as CIMB Trustee Berhad), have acted as Trustee of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "Trust") for the financial year ended 31 December 2012. In our opinion and to the best of our knowledge:

- (a) AmanahRaya-REIT Managers Sdn. Bhd. ("the Manager") has managed AmanahRaya REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Novation Agreement dated 27 August 2009 in respect of the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007) and the Second Supplemental Trust Deed dated 27 August 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended;
- (b) the procedures and processes employed by the Manager to value and price the units of AmanahRaya REIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements; and
- (c) the creation of units are carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2012 are in line with and are reflective of the objectives of AmanahRaya REIT. Distributions that have been paid or proposed for the financial year ended 31 December 2012 are as follows:

- 1) First interim income distribution of 1.8105 sen per unit paid on 29 June 2012;
- 2) Second interim income distribution of 1.8000 sen per unit paid on 8 October 2012;
- 3) Third interim income distribution of 1.7888 sen per unit paid on 4 January 2013; and
- 4) Proposed fourth and final income distribution of 2.0494 sen per unit payable on 3 April 2013.

**For and on behalf of the Trustee,**  
**CIMB ISLAMIC TRUSTEE BERHAD** (Company No. 167913 M)  
(formerly known as CIMB Trustee Berhad)



**LIEW PIK YOONG**  
Head of Trustee Services

Kuala Lumpur, Malaysia  
21 January 2013

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

## Report on the Financial Statements

We have audited the financial statements of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "Trust"), which comprise the statement of financial position as at 31 December 2012 of AmanahRaya REIT, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of AmanahRaya REIT for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 91 to 129.

## Directors of AmanahRaya-REIT Managers Sdn. Bhd.'s Responsibility for the Financial Statements

The Directors of AmanahRaya-REIT Managers Sdn. Bhd. ("the Manager") of AmanahRaya REIT are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the provisions of the Novation Agreement dated 27 August 2009 in respect of the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007) and the Second Supplemental Trust Deed dated 27 August 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors of the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to AmanahRaya REIT'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 AmanahRaya REIT's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AmanahRaya-REIT as at 31 December 2012 and of its financial performance, the changes in net asset value and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

## Other Reporting Responsibilities

The supplementary information set out in Note 32 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (CONT'D)

## Other Matters

As stated in Note 2 to the financial statements, AmanahRaya REIT adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These Standards were applied retrospectively by Directors of the Manager to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of AmanahRaya REIT for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

This report is made solely to the unitholders of AmanahRaya REIT, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**BDO**

AF : 0206

Chartered Accountants

Kuala Lumpur

21 February 2013



**Rejeesh A/L Balasubramaniam**

2895/08/14 (J)

Chartered Accountant

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	5	952,476,982	944,760,000	913,617,000
<b>Current assets</b>				
Trade and other receivables	6	1,718,467	3,432,445	3,091,644
Security deposits in trust accounts and a financial institution	7	59,166,405	62,544,331	60,668,261
Deposits placed with licensed financial institutions	8	32,392,039	29,732,200	20,476,774
Cash and bank balances		2,236	3,614	339,439
		93,279,147	95,712,590	84,576,118
<b>TOTAL ASSETS</b>		1,045,756,129	1,040,472,590	998,193,118
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	9	363,556,059	363,260,671	362,965,282
Trade and other payables	10	49,709,121	57,282,246	56,891,786
		413,265,180	420,542,917	419,857,068
<b>Current liabilities</b>				
Trade and other payables	10	15,453,159	8,433,920	10,170,989
Provision for income distribution	11	10,254,876	9,859,728	-
		25,708,035	18,293,648	10,170,989
<b>TOTAL LIABILITIES</b>		438,973,215	438,836,565	430,028,057
<b>NET ASSET VALUE ("NAV")</b>		606,782,914	601,636,025	568,165,061
<b>FINANCED BY:</b>				
<b>UNITHOLDERS' FUNDS</b>				
Unitholders' capital	12	519,685,915	519,685,915	519,685,915
Distributable income		87,096,999	81,950,110	48,479,146
<b>TOTAL UNITHOLDERS' FUND</b>		606,782,914	601,636,025	568,165,061
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>				
		573,219,858	573,219,858	573,219,858
<b>NAV PER UNIT (RM)</b>				
- before income distribution		1.1314	1.1197	1.0712
- after income distribution		1.0774	1.0475	1.0026

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Gross revenue	13	66,914,896	65,305,820
Property operating expenses	14	(2,687,577)	(1,981,268)
<b>Net rental income</b>		64,227,319	63,324,552
Interest income		958,918	833,684
Other income		5,279	1,000
Changes in fair value of investment properties	5	3,500,000	31,143,000
<b>Total income</b>		68,691,516	95,302,236
<b>Trust expenses</b>			
Manager's fee	15	(3,628,289)	(3,379,488)
Trustee's fee	16	(302,357)	(281,624)
Auditors' remuneration		(85,000)	(85,000)
Tax agent's fee		(7,500)	(7,000)
Administrative expenses		(781,232)	(243,760)
Valuation fees		-	(320,118)
Corporate exercise expenses	21	-	(361,335)
Finance costs	17	(17,000,526)	(16,951,592)
<b>Total trust expenses</b>		(21,804,904)	(21,629,917)
<b>Income before taxation</b>		46,886,612	73,672,319
Income tax expense	18	-	-
<b>Net income/Total comprehensive income for the financial year</b>		46,886,612	73,672,319
<b>Net income for the financial year is made up as follows:</b>			
Realised		43,386,612	42,529,319
Unrealised		3,500,000	31,143,000
		46,886,612	73,672,319
<b>Earnings per unit (sen)</b>			
	19		
- before Manager's fee		8.8125	13.4419
- after Manager's fee		8.1795	12.8524

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Note	2012 RM	2011 RM
<b>Net income distribution*</b>	20		
- First interim income distribution of 1.8105 sen per unit paid on 29 June 2012 (2011: 1.8120 sen per unit paid on 19 July 2011)		10,378,124	10,386,727
- Second interim income distribution of 1.8000 sen per unit paid on 8 October 2012 (2011: 1.8071 sen per unit paid on 7 October 2011)		10,317,954	10,358,639
- Third interim income distribution of 1.7888 sen per unit paid on 4 January 2013 (2011: 1.7200 sen per unit paid on 19 January 2012)		10,253,737	9,859,366
- Proposed final income distribution of 2.0494 sen per unit payable on 3 April 2013 (2011: 1.8822 sen per unit paid on 21 March 2012)		11,747,568	10,789,144
		<b>42,697,383</b>	<b>41,393,876</b>
<b>Income distribution per unit (sen)*</b>	20		
- First interim income distribution		1.8105	1.8120
- Second interim income distribution		1.8000	1.8071
- Third interim income distribution		1.7888	1.7200
- Proposed final income distribution		2.0494	1.8822
		<b>7.4487</b>	<b>7.2213</b>

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

	Withholding tax rate	
	2012	2011
Resident corporate	Nil <sup>^</sup>	Nil <sup>^</sup>
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	25%	25%
Non-resident institutional	10%	10%

<sup>^</sup> No withholding tax; tax at prevailing tax rate

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

# STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	-- Distributable income --			Total unitholders' fund RM
	Unitholders' capital RM	Realised RM	Unrealised RM	
<b>At 1 January 2012</b>	519,685,915	13,995,110	67,955,000	601,636,025
<b>Operations for the financial year ended 31 December 2012</b>				
Total comprehensive income for the financial year	-	43,386,612	3,500,000	46,886,612
Increase in net assets resulting from operations	-	43,386,612	3,500,000	46,886,612
<b>Unitholders' transactions</b>				
Distributions to unitholders:				
- 2012 interim	-	(30,950,579)	-	(30,950,579)
- 2011 final	-	(10,789,144)	-	(10,789,144)
Decrease in net assets resulting from unitholders' transactions	-	(41,739,723)	-	(41,739,723)
<b>At 31 December 2012</b>	519,685,915	15,641,999	71,455,000	606,782,914

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

# STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	---Distributable income---			Total unitholders' fund RM
	Unitholders' capital RM	Realised RM	Unrealised RM	
<b>At 1 January 2011</b>	519,685,915	11,667,146	36,812,000	568,165,061
<b>Operations for the financial year ended 31 December 2011</b>				
Total comprehensive income for the financial year	-	42,529,319	31,143,000	73,672,319
Increase in net assets resulting from operations	-	42,529,319	31,143,000	73,672,319
<b>Unitholders' transactions</b>				
Distributions to unitholders:				
- 2011 interim	-	(30,604,732)	-	(30,604,732)
- 2010 final	-	(9,596,623)	-	(9,596,623)
Decrease in net assets resulting from unitholders' transactions	-	(40,201,355)	-	(40,201,355)
<b>At 31 December 2011</b>	519,685,915	13,995,110	67,955,000	601,636,025

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



# STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxation		46,886,612	73,672,319
Adjustments for:			
Finance costs	17	17,000,526	16,951,592
Interest income		(958,918)	(833,684)
Changes in fair value of investment properties		(3,500,000)	(31,143,000)
Operating income before working capital changes		59,428,220	58,647,227
Decrease/(Increase) in trade and other receivables		1,713,978	(340,801)
Decrease/(Increase) in security deposits in trust accounts and financial institution		3,377,926	(1,876,070)
Decrease in trade and other payables		(553,886)	(1,346,609)
Net cash from operating activities		63,966,238	55,083,747
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		958,918	833,684
Addition to investment properties	5	(4,216,982)	-
Net cash (used in)/from investing activities		(3,258,064)	833,684
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distributions paid to unitholders			
- In respect of current financial year	11	(20,696,078)	(20,745,366)
- In respect of previous financial year		(20,648,497)	(9,596,261)
Interest paid	17	(16,705,138)	(16,656,203)
Net cash used in financing activities		(58,049,713)	(46,997,830)
Net cash increase in cash and cash equivalents		2,658,461	8,919,601
Cash and cash equivalents at beginning of financial year		29,735,814	20,816,213
Cash and cash equivalents at end of financial year		32,394,275	29,735,814

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

Cash and bank balances	2,236	3,614
Deposits placed with licensed financial institutions	32,392,039	29,732,200
	32,394,275	29,735,814

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012

### 1. CORPORATE INFORMATION

AmanahRaya Real Estate Investment Trust (“AmanahRaya REIT” or “Trust”) is a Malaysia-domiciled real estate investment trust constituted pursuant to the Novation Agreement dated 27 August 2009 with respect to the Trust Deed dated 10 October 2006 (varied by the Supplemental Trust Deed dated 4 January 2007) and the Second Supplemental Trust Deed dated 27 August 2009 (collectively referred to “the Deed”) between AmanahRaya-REIT Managers Sdn. Bhd. (“the Manager”) and CIMB Islamic Trustee Berhad (“the Trustee”). The Deed is regulated by the Securities Commission’s Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. AmanahRaya REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provision of Clause 26 of the Trust Deed dated 10 October 2006. AmanahRaya REIT is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Manager of AmanahRaya REIT is located at Level 11, Wisma AmanahRaya, No. 2, Jalan Ampang, 50508 Kuala Lumpur.

The principal place of business of the Manager of AmanahRaya REIT is located at Level 8, Wisma TAS, No. 21 Jalan Melaka, 50100 Kuala Lumpur.

AmanahRaya REIT is principally engaged in the investment of a diversified portfolio of properties with the objectives of achieving an attractive level of return from rental income and for long term capital growth. There has been no significant change in the nature of this activity during the financial year.

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Trust’s functional currency.

The financial statements were authorised for issuance of information to the unitholders in accordance with a resolution by the Board of Directors of the Manager, AmanahRaya-REIT Managers Sdn. Bhd., on 21 February 2013.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements of AmanahRaya REIT have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

These are the Trust’s first financial statements prepared in accordance with MFRSs, and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied. In the previous financial years, the financial statements of the Trust were prepared in accordance with Financial Reporting Standards (“FRSs”) in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 2. BASIS OF PREPARATION (continued)

#### 2.1 Statement of compliance (continued)

The Trust has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2011 and throughout all financial years presented, as if these policies had always been in effect. Note 31 to the financial statements discloses the impact of the transition to MFRS on the Trust's reported financial position, financial performance and cash flows for the financial year then ended.

However, Note 32 to the financial statements set out page 130 has been prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

#### 2.2 Basis of accounting

The financial statements of AmanahRaya REIT have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors of the Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors of the Manager are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 2.3 and Note 2.4 to the financial statements. Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results could differ from those estimates.

The estimates and underlying assumptions are assessed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### 2.3 Judgement made in applying the accounting policies

There are no judgements made by management in the process of applying the Trust's accounting policies that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

#### 2.4 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

- (i) Fair values of investment properties

The fair values of investment properties are derived from the Directors of the Manager's assessment based on indicative values obtained from latest valuations conducted by independent firms of professional valuers in November 2011 and December 2011. Significant judgements are involved in determining the fair values by using the various methods of valuation as disclosed in Note 5 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 2. BASIS OF PREPARATION (continued)

#### 2.4 Key sources of estimation uncertainty (continued)

(ii) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Trust for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Trust based on its size and its business risk.

(iii) Impairment of receivables

The Trust makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

### 3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

#### 3.1 New MFRSs adopted during the current financial year

The Trust adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	Effective Date
MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2012
MFRS 2 <i>Share-based Payment</i>	1 January 2012
MFRS 3 <i>Business Combinations</i>	1 January 2012
MFRS 4 <i>Insurance Contracts</i>	1 January 2012
MFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2012
MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2012
MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2012
MFRS 8 <i>Operating Segments</i>	1 January 2012
MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2012
MFRS 102 <i>Inventories</i>	1 January 2012
MFRS 107 <i>Statement of Cash Flows</i>	1 January 2012
MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2012

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

#### 3.1 New MFRSs adopted during the current financial year (continued)

MFRS 110 <i>Events After the Reporting Period</i>	1 January 2012
MFRS 111 <i>Construction Contracts</i>	1 January 2012
MFRS 112 <i>Income Taxes</i>	1 January 2012
MFRS 116 <i>Property, Plant and Equipment</i>	1 January 2012
MFRS 117 <i>Leases</i>	1 January 2012
MFRS 118 <i>Revenue</i>	1 January 2012
MFRS 119 <i>Employee Benefits</i>	1 January 2012
MFRS 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 January 2012
MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	1 January 2012
MFRS 123 <i>Borrowing Costs</i>	1 January 2012
MFRS 124 <i>Related Party Disclosures</i>	1 January 2012
MFRS 126 <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 January 2012
MFRS 127 <i>Consolidated and Separate Financial Statements</i>	1 January 2012
MFRS 128 <i>Investments in Associates</i>	1 January 2012
MFRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2012
MFRS 131 <i>Interests in Joint Ventures</i>	1 January 2012
MFRS 132 <i>Financial Instruments: Presentation</i>	1 January 2012
MFRS 133 <i>Earnings Per Share</i>	1 January 2012
MFRS 134 <i>Interim Financial Reporting</i>	1 January 2012
MFRS 136 <i>Impairment of Assets</i>	1 January 2012
MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2012
MFRS 138 <i>Intangible Assets</i>	1 January 2012
MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2012
MFRS 140 <i>Investment Property</i>	1 January 2012
MFRS 141 <i>Agriculture</i>	1 January 2012
Improvements to MFRSs (2008)	1 January 2012
Improvements to MFRSs (2009)	1 January 2012
Improvements to MFRSs (2010)	1 January 2012
IC Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 January 2012
IC Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 January 2012
IC Interpretation 4 <i>Determining Whether an Arrangement Contains a Lease</i>	1 January 2012
IC Interpretation 5 <i>Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 January 2012
IC Interpretation 6 <i>Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment</i>	1 January 2012
IC Interpretation 7 <i>Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies</i>	1 January 2012
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2012
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2012
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2012
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2012
IC Interpretation 14 <i>MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2012
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2012
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 January 2012

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

#### 3.1 New MFRSs adopted during the current financial year (continued)

IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18 Transfers of Assets from Customers	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
IC Interpretation 107 <i>Introduction of the Euro</i>	1 January 2012
IC Interpretation 110 <i>Government Assistance – No Specific Relation to Operating Activities</i>	1 January 2012
IC Interpretation 112 <i>Consolidation – Special Purpose Entities</i>	1 January 2012
IC Interpretation 113 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>	1 January 2012
IC Interpretation 115 <i>Operating Leases – Incentives</i>	1 January 2012
IC Interpretation 125 <i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>	1 January 2012
IC Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 January 2012
IC Interpretation 129 <i>Service Concession Arrangements: Disclosures</i>	1 January 2012
IC Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>	1 January 2012
IC Interpretation 132 <i>Intangible Assets – Web Site Costs</i>	1 January 2012

#### 3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Trust.

Title	Effective Date
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 101 <i>Clarification of the Requirements for Comparative Information</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

#### 3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (continued)

Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
MFRS 9 <i>Financial Instruments</i>	1 January 2015

The Trust is in the process of assessing the impact of implementing these standards, amendments and interpretations since the effects would only be observable for the financial year ending 31 December 2013.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Investment properties

Investment properties are properties, which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Trust. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

The fair value of investment properties are the prices at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment properties reflect market conditions at the end of the reporting period, without any deduction for transaction costs that may be incurred on sales or other disposal.

Fair value of investment properties are arrived at by reference to market evidence of transaction prices for similar properties. It is derived from the Directors of the Manager's assessment based on indicative values obtained from latest valuations conducted by independent firms of professional valuers, or based on recent transacted prices of the Trust's investment properties.

A gain or loss arising from a change in the fair value of investment properties is recognised in profit or loss for the period in which it arises.

Investment properties are derecognised when either they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment properties is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.2 Leases

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase, which transfer substantially all the risks and rewards of ownership to the Trust are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of 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 leases, if this is practicable to determine; if not, the Trust's incremental borrowing rate is used. Any initial direct costs incurred by the Trust are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

#### 4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Trust.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Trust.

Financial instruments are recognised on the statement of financial position when the Trust has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.3 Financial instruments (continued)

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial asset classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial asset classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial asset classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such items are recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Trust has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.3 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loan and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Trust's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.3 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such items are recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.4 Impairment of financial assets

The Trust assesses whether there is any objective evidence that a financial asset is impaired at each reporting period.

##### Loans and receivables

The Trust collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

#### 4.5 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes and real property gains taxes payable on disposal of properties.

Taxes in the statement of comprehensive income comprise current and deferred tax.

##### (a) Current tax

Current tax is the amount of income taxes payable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.5 Income taxes (continued)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the year unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantial effect of actual enactment by the end of the reporting period.

#### 4.6 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.6 Provisions (continued)

If the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Trust has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 4.7 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Trust or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Trust does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Trust. The Trust does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

#### 4.8 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Trust, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Trust's activity as follows:

(a) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as a reduction of rental income over the lease term on a straight line basis.

(b) Car park rental income

Car park rental income is derived from renting the investment properties' car park spaces to car park operators and is recognised on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.9 Expenses

(a) Property operating expenses

Property operating expenses consist of property management fees, quit rent, assessment, and other outgoings in relation to investment properties where such expenses are the responsibility of the Trust. Property management fees are recognised on an accrual basis.

(b) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

(c) Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.

### 5. INVESTMENT PROPERTIES

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
At 1 January	944,760,000	913,617,000
Enhancement	4,216,982	-
Changes in fair value	3,500,000	31,143,000
At 31 December	952,476,982	944,760,000

Included in the above are:

Land and buildings	952,476,982	944,760,000
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Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Repairs and maintenance	348,949	273,954
Quit rent and assessment	1,043,037	412,591

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 5. INVESTMENT PROPERTIES (continued)

Description of property	Tenure of land	Term of lease year	Location	Existing use	Occupancy rates as at 31 December 2012 %	Fair value as at 31 December 2012 RM	Cost as at 31 December 2012 RM	% of fair value to Net Asset Value as at 31 December 2012
Holiday Villa Alor Setar (1)	Freehold Leasehold	N/A 99 years expiring 2084	Alor Setar	Hotel	100	35,000,000	31,000,000	5.77
Holiday Villa Langkawi (2)	Freehold	N/A	Pulau Langkawi	Hotel	100	58,800,000	55,000,000	9.69
SEGI College (3)	Freehold	N/A	Subang Jaya	College	100	55,100,000	52,500,000	9.08
SEGI University (4)*	Leasehold	99 years expiring 2106	Kota Damansara	College/ Campus	100	154,000,000	145,000,000	25.38
Block A & B, South City Plaza (5)	Leasehold	99 years expiring 2093	Seri Kembangan	Office (Block A) College (Block B)	100 100	20,100,000	18,300,000	3.31
Silver Bird Factory (6)*	Freehold	N/A	Shah Alam	Industrial complex	100	98,000,000	92,000,000	16.15
Dana 13 (7)*	Leasehold	99 years expiring 2097	Petaling Jaya	Office	100	108,800,000	99,120,000	17.93
Wisma AmanahRaya (8)*	Leasehold	99 years expiring 2065	Kuala Lumpur	Office	100	74,700,000	68,000,000	12.31
Wisma Amanah Raya Berhad (9)*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	63,900,000	53,000,000	10.53
Wisma UEP (10)	Freehold	N/A	Subang Jaya	Office	30	40,000,000	35,500,000	6.59
AIC Factory (11)*	Leasehold	99 years expiring 2094	Shah Alam	Industrial factory	100	21,250,000	19,200,000	3.50
Gurun Automotive Warehouse (12)	Leasehold	60 years expiring 2065	Gurun, Kedah	Industrial warehouse	100	24,950,000	23,970,000	4.11
Kontena Nasional Distribution Centre 11 (13) (formerly known as Tamadam Bonded Warehouse)	Leasehold (Land A) (Land B)	60 years expiring 2067 99 years expiring 2089	Port Klang	Bonded warehouse	100	34,321,982	28,500,000	5.66
Permanis Factory (14)	Leasehold	99 years expiring 2089	Bdr Baru Bangi	Industrial factory	100	31,000,000	27,550,000	5.11
Selayang Mall (15)*	Leasehold	99 years expiring 2079	Selayang Utama	Shopping complex	100	132,555,000	128,165,000	21.85
						952,476,982	876,805,000	



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 5. INVESTMENT PROPERTIES (continued)

Description of property	Tenure of land	Term of lease year	Location	Existing use	Occupancy rates as at 31 December 2011 %	Fair value as at 31 December 2011 RM	Cost as at 31 December 2011 RM	% of fair value to Net Asset Value as at 31 December 2011
Holiday Villa Alor Setar (1)	Freehold Leasehold	N/A 99 years expiring 2084	Alor Setar	Hotel	100	35,000,000	31,000,000	5.82
Holiday Villa Langkawi (2)	Freehold	N/A	Pulau Langkawi	Hotel	100	58,800,000	55,000,000	9.77
SEGi College (3)	Freehold	N/A	Subang Jaya	College	100	55,100,000	52,500,000	9.16
SEGi University (4)*	Leasehold	99 years expiring 2106	Kota Damansara	College/ Campus	100	154,000,000	145,000,000	25.60
Block A & B, South City Plaza (5)	Leasehold	99 years expiring 2093	Seri Kembangan	Office (Block A) College (Block B)	100	20,100,000	18,300,000	3.34
Silver Bird Factory (6)*	Freehold	N/A	Shah Alam	Industrial complex	100	98,000,000	92,000,000	16.29
Dana 13 (7)*	Leasehold	99 years expiring 2097	Petaling Jaya	Office	100	108,800,000	99,120,000	18.08
Wisma AmanahRaya (8)*	Leasehold	99 years expiring 2065	Kuala Lumpur	Office	100	74,700,000	68,000,000	12.42
Wisma Amanah Raya Berhad (9)*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	63,900,000	53,000,000	10.62
Wisma UEP (10)	Freehold	N/A	Subang Jaya	Office	30	39,000,000	35,500,000	6.48
AIC Factory (11)*	Leasehold	99 years expiring 2094	Shah Alam	Industrial factory	100	21,250,000	19,200,000	3.53
Gurun Automotive Warehouse (12)	Leasehold	60 years expiring 2065	Gurun, Kedah	Industrial warehouse	100	24,950,000	23,970,000	4.15
Kontena Nasional Distribution Centre 11 (13) (formerly know as Tamadam Bonded Warehouse)	Leasehold (Land A) (Land B)	60 years expiring 2067 99 years expiring 2089	Port Klang	Bonded warehouse	100	30,660,000	28,500,000	5.10
Permanis Factory (14)	Leasehold	99 years expiring 2089	Bdr Baru Bangi	Industrial factory	100	28,500,000	27,550,000	4.74
Selayang Mall (15)*	Leasehold	99 years expiring 2079	Selayang Utama	Shopping complex	100	132,000,000	128,165,000	21.94
						944,760,000	876,805,000	

\* The properties were charged to financial institutions for banking facilities granted to AmanahRaya REIT (Note 9). The pledging of assets of AmanahRaya REIT was conducted pursuant to the Trust Deed dated 10 October 2006 under Clause 11.2 and is not prejudicial to the interest of the unitholders.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 5. INVESTMENT PROPERTIES (continued)

a. The fair value of the investment properties as at 31 December 2012 were derived from the Directors of the Manager's assessment based on indicative values obtained from latest valuations conducted by independent firms of professional valuers in November 2011 and December 2011, or based on recent transacted prices of the Trust's investment properties. The properties were valued by the following appointed valuers adopting the suitable valuation approaches depending on the type of properties.

Item	Description of property	Valuer	Method of valuation
(1)	Holiday Villa Alor Setar	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.	Profit and investment
(2)	Holiday Villa Langkawi	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.	Profit and investment
(3)	SEGi College	Raine & Horne International Zaki & Partners Sdn. Bhd.	Investment and Comparison
(4)	SEGi University	Raine & Horne International Zaki & Partners Sdn. Bhd.	Investment and Comparison
(5)	Block A & B, South City Plaza	Raine & Horne International Zaki & Partners Sdn. Bhd.	Investment and Comparison
(6)	Silver Bird Factory	Raine & Horne International Zaki & Partners Sdn. Bhd.	Investment and Comparison
(7)	Dana 13	Raine & Horne International Zaki & Partners Sdn. Bhd.	Investment and Comparison
(8)	Wisma AmanahRaya	C.H. Williams Talhar & Wong Sdn. Bhd.	Investment
(9)	Wisma Amanah Raya Berhad	C.H. Williams Talhar & Wong Sdn. Bhd.	Investment
(10)	Wisma UEP	C.H. Williams Talhar & Wong Sdn. Bhd.	Investment
(11)	AIC Factory	Hakimi & Associates Sdn. Bhd.	Cost
(12)	Gurun Automotive Warehouse	Hakimi & Associates Sdn. Bhd.	Cost
(13)	Kontena Nasional Distribution Centre 11 (formerly known as Tamadam Bonded Warehouse)	Hakimi & Associates Sdn. Bhd.	Cost
(14)	Permanis Factory	Knight Frank Ooi & Zaharin Sdn. Bhd.	Investment and Comparison
(15)	Selayang Mall	Knight Frank Ooi & Zaharin Sdn. Bhd.	Investment and Comparison

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 5. INVESTMENT PROPERTIES (continued)

- b. The title deeds of the properties of the Trust are registered under the name of the Trustee, except for Block A & B South City Plaza, Holiday Villa Alor Setar, Gurun Warehouse, SEGi University College and Dana 13, which are pending for the issuance of separate individual titles.
- c. All investment properties are leased/rented to third parties except for Wisma AmanahRaya, which is leased to the holding company of the Manager.
- d. Investment properties are leased out with different tenure of leases ranging from 3 to 15 years. Twelve (12) (2011: Twelve (12)) of the properties' leases contain an initial non-cancellable period of 3 to 15 years. Subsequent renewals are negotiated with the lessees. No contingent rents are charged.

### 6. TRADE AND OTHER RECEIVABLES

	2012 RM	2011 RM
Trade receivables	528,754	1,898,438
Other receivables, deposits and prepayments	1,189,713	1,534,007
	1,718,467	3,432,445

- (a) The credit terms granted to trade receivables range from 7 days to 30 days (2011: 7 days to 30 days).
- (b) Trade and other receivables are denominated in Ringgit Malaysia ("RM").
- (c) The ageing analysis of trade receivables of the Trust are as follows:

	2012 RM	2011 RM
Neither past due nor impaired	179,250	790,450
Past due, not impaired		
31 to 60 days	179,250	790,450
61 to 90 days	16,619	3,200
91 to 120 days	143,495	3,200
More than 121 days	10,140	311,138
	349,504	1,107,988
Past due and impaired	-	-
	528,754	1,898,438

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Trust.

None of the trade receivables of the Trust that are neither past due nor impaired have been renegotiated during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 6. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are past due but not impaired

Based on past experience, the Manager believes that no impairment loss is necessary in respect of these balances as the Trust has the right to deduct from the security deposits placed by the receivables and call upon the bank guarantee provided by the receivables in the event of default or arrears in rental payment. In addition, trade receivables that are past due but not impaired relates to receivables with good track record with the Trust.

### 7. SECURITY DEPOSITS IN TRUST ACCOUNTS AND A FINANCIAL INSTITUTION

	2012 RM	2011 RM
Security deposits placed with ITA-ARB	58,047,555	61,461,971
Security deposit placed with a licensed financial institution	1,118,850	1,082,360
	59,166,405	62,544,331

Security deposits received from the lessees together with accrued interest are placed with Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB") and a licensed financial institution. The interest rates of the security deposits ranged from 3.30% to 4.25% (2011: 3.15% to 4.25%) per annum.

Pursuant to the lease agreements, lessees are entitled to the interest earned from security deposits placed in trust accounts and a financial institution. The Trust has the right to deduct from the security deposits in the event of default or arrears in rental payment within the stipulated period in the lease agreement from the due date of the rental payment or early termination by the Lessees.

The security deposits are denominated in Ringgit Malaysia ("RM").

### 8. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits are placed with licensed financial institutions at interest rates ranging from 2.90% to 3.45% (2011: 2.75% to 3.51%) per annum.

Information on financial risks of cash and cash equivalents are disclosed in Note 27 to the financial statements.

The deposits are denominated in Ringgit Malaysia ("RM").

### 9. BORROWINGS

	2012 RM	2011 RM
<b>Non-current liabilities:</b>		
Term loan I	85,000,000	85,000,000
Term loan II	110,969,160	110,857,372
Term loan III	167,586,899	167,403,299
	363,556,059	363,260,671

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 9. BORROWINGS (continued)

- (a) Term loan I bears interest at 4.85% (2011: 4.85%) per annum and is repayable in one lump sum in May 2015.
- (b) Term loan II bears interest at 4.55% (2011: 4.55%) per annum and is repayable in one lump sum in May 2015.

Included in term loan II are transaction costs incurred for the financing arrangement amounting to RM558,942. During the financial year ended 31 December 2012, an amount of RM111,788 (2011: RM111,788) has been amortised to profit or loss, as disclosed in Note 17 to the financial statements.

- (c) Term loan III bears interest at 4.45% (2011: 4.45%) per annum and is repayable in one lump sum in March 2015.

Included in the term loan III are transaction costs incurred for refinancing arrangement amounting to RM918,002. During the financial year ended 31 December 2012, an amount of RM183,600 (2011: RM183,600) has been amortised to profit or loss as disclosed in Note 17 to the financial statements.

The proceeds from the term loans are mainly used for the purpose of financing the acquisitions of the properties as disclosed in Note 5 to the financial statements.

The term loans are secured by way of first legal charge on investment properties of the Trust amounting to RM653,205,000 (2011: RM652,650,000), as disclosed in Note 5 to the financial statements.

The term loan interests are payable in arrears on a monthly basis.

Information on financial risks of borrowings and its remaining maturity is disclosed in Note 27 to the financial statements.

The term loans are denominated in Ringgit Malaysia ("RM").

### 10. TRADE AND OTHER PAYABLES

	2012 RM	2011 RM
<b>Non-current liabilities</b>		
Tenants' deposits	49,709,121	57,282,246
<b>Current liabilities</b>		
Trade payables	765,599	371,401
Other payables and accrued expenses	9,097,783	7,782,194
Tenants' deposits	5,589,777	280,325
	15,453,159	8,433,920
	65,162,280	65,716,166

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 10. TRADE AND OTHER PAYABLES (continued)

- (a) Included in tenant deposits are refundable deposits of RM54,517,378 (2011: RM56,887,666) received from Lessees for tenancy contracts with tenure of one (1) to seven (7) years. These deposits are placed with Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB") and financial institution as disclosed in Note 7 to the financial statements.
- (b) Included in trade payables are amount owing to the Manager and the Trustee amounting to RM332,146 (2011: RM309,877) which are unsecured, interest-free and payable on demand in cash and cash equivalents. The normal credit term granted by trade payables is 30 days (2011: 30 days).
- (c) Included in other payables and accrued expenses are interest of RM4,649,028 (2011: RM5,656,665) generated from security deposits placed with ITA-ARB and financial institutions as disclosed in Note 7 to the financial statements.
- (d) Since the inception of AmanahRaya REIT, the Manager has received rental deposits from tenants by way of bank guarantee which are contracted to but not recognised for in the financial statements as follows:

Tenants	Property	Amount RM	Remarks
SEGI International Berhad	SEGi College	10,867,500	Equivalent to three (3) years rental
	SEGi University	24,649,992	Equivalent to two (2) years rental
	Block A & B, South City Plaza	2,880,000	Equivalent to two (2) years rental
Kontena Nasional Berhad	Kontena Nasional Distribution Centre 11 (formerly known as Tamadam Bonded Warehouse)	2,648,300	Equivalent to one (1) year rental
Symphony House Berhad	Dana 13	7,420,260	Equivalent to one (1) year rental
Total		48,466,052	

The bank guarantees are unconditional, irrevocable and guaranteed to be paid to AmanahRaya REIT in the event of default of the lease agreement by the Lessees.

- (e) Trade and other payables are denominated in Ringgit Malaysia ("RM").

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 11. PROVISION FOR INCOME DISTRIBUTION

	2012 RM	2011 RM
In respect of current financial year :		
- Provisions during the financial year	30,950,954	30,605,094
- Distributions paid	(20,696,078)	(20,745,366)
	10,254,876	9,859,728

### 12. UNITHOLDERS' CAPITAL

	2012		2011	
	Number of units	RM	Number of units	RM
Authorised	573,219,858	573,219,858	573,219,858	573,219,858
Issued and fully paid	573,219,858	519,685,915	573,219,858	519,685,915

- (a) As at 31 December 2012, the Manager and Directors of the Manager did not hold any units in AmanahRaya REIT. However, parties related to the holding company of the Manager held units in AmanahRaya REIT as follows:

	2012		
	Number of units held	Percentage of total units %	Market value RM
<b>Direct unitholdings in AmanahRaya REIT of the parties related to the holding company of the Manager</b>			
Kumpulan Wang Bersama	345,287,358	60.24	317,664,369
AmanahRaya Investment Bank Ltd.	12,400,000	2.16	11,408,000
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,869,992
	359,719,958	62.75	330,942,361

	2011		
	Number of units held	Percentage of total units %	Market value RM
<b>Direct unitholdings in AmanahRaya REIT of the parties related to the holding company of the Manager</b>			
Kumpulan Wang Bersama	334,280,908	58.32	302,524,222
AmanahRaya Investment Bank Ltd.	2,400,000	0.42	2,172,000
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,839,503
	338,713,508	59.09	306,535,725

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 12. UNITHOLDERS' CAPITAL (continued)

- (b) The market value is determined by using the closing market price of the Trust as at 31 December 2012 of RM0.920 (2011: RM0.905) per unit.

### 13. GROSS REVENUE

	2012	2011
	RM	RM
Rental income	66,584,900	64,992,620
Car park rental income	329,996	313,200
	66,914,896	65,305,820

### 14. PROPERTY OPERATING EXPENSES

	2012	2011
	RM	RM
Assessment and quit rent	1,043,037	412,591
Service contracts and maintenance	944,276	987,960
Property management fees	585,370	486,900
Insurance	86,943	65,864
Other operating expenses	27,951	27,953
	2,687,577	1,981,268

The Property Managers, Malik Kamaruzaman Property Management Sdn. Bhd., IM Global Property Consultants and DTZ Nawawi Tie Leung Property Consultants, are entitled to property management fees in respect of the management of the investment properties owned by AmanahRaya REIT as provided in the Trust Deed. The fees are determined by a guaranteed scale based on the gross annual rental income as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981. The property management fees are payable monthly in arrears with permissible discounts.

### 15. MANAGER'S FEE

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value of AmanahRaya REIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging at the rate of 0.6% (2011: 0.6%) per annum of the Net Asset Value.

### 16. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of the NAV of the Trust. The Trustee's fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging at the rate of 0.05% (2011: 0.05%) per annum of the Net Asset Value.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 17. FINANCE COSTS

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Interest expense on term loans	16,705,138	16,656,203
Amortisation of transaction costs of borrowings	295,388	295,389
	<b>17,000,526</b>	<b>16,951,592</b>

### 18. INCOME TAX EXPENSE

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Current tax expense	-	-

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Trust are as follows:

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Income before taxation	46,886,612	73,672,319
Income tax using Malaysian tax rate at 25% (2011: 25%)	11,721,653	18,418,080
Non-deductible expenses	197,183	133,965
Effect of interest income not subject to tax	(239,730)	(208,421)
Effect of changes in fair value of investment properties not subject to tax	(875,000)	(7,785,750)
Effect of income exempted from tax	(10,804,106)	(10,557,874)
	<b>-</b>	<b>-</b>

Pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006, where in the basis period for a year of assessment, 90% or more of the total income of the Trust is distributed to its unitholders, the total income of the Trust for that year of assessment shall be exempted from tax.

As the Trust distributes at least 95% (2011: 95%) of the distributable income, its total income for the financial year is exempted from tax.

### 19. EARNINGS PER UNIT

The earnings per unit before Manager's fee of 8.8125 sen (2011: 13.4419 sen) is calculated by dividing the net income after taxation but before deduction of manager's fees for the financial year of RM50,514,901 (2011: RM77,051,807) by the weighted average number of units in circulation during the financial year of 573,219,858 (2011: 573,219,858).

The earnings per unit after Manager's fee of 8.1795 sen (2011: 12.8524 sen) is calculated based on the net income after taxation of RM46,886,612 (2011: RM73,672,319) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2011: 573,219,858).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 20. DISTRIBUTIONS TO UNITHOLDERS

Distributions to unitholders are from the following sources:

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Gross rental income	66,914,896	65,305,820
Interest income	958,918	833,684
Other income	5,279	1,000
	67,879,093	66,140,504
Less: Expenses	(24,492,481)	(23,611,185)
Total income available for distribution	43,386,612	42,529,319
Underpayment in prior years	375	483
Total income available for distribution	43,386,987	42,529,802
Less: Income distributed	(30,950,954)	(30,604,732)
Less: Proposed final income distribution	(11,747,568)	(10,789,144)
Balance undistributed income	688,465	1,135,926
Distribution per unit (sen)	7.4487	7.2213

### 21. CORPORATE EXERCISE EXPENSES

In the previous financial year, the Trust incurred costs attributable to the process of acquiring the three (3) properties belonging to Perbadanan Kemajuan Negeri Selangor ("PKNS"). However, on 1 December 2011, the acquisition was mutually terminated and the corporate exercise expenses amounting to RM361,335 were expensed off to profit or loss.

### 22. PORTFOLIO TURNOVER RATIO

	<b>2012</b>	<b>2011</b>
Portfolio Turnover Ratio ("PTR")(times)	-	-

The calculation of PTR is based on the average of total acquisitions and total disposals of investment in AmanahRaya REIT for the year to the average net asset value of the Trust for the financial year calculated on a daily basis.

Since the basis of calculating PTR may vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of PTR of AmanahRaya REIT against other real estate investment trusts.

There were no acquisitions or disposals of investment in AmanahRaya REIT during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 23. MANAGEMENT EXPENSE RATIO

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Management expense ratio ("MER")(%)	0.80	0.70

The calculation of the MER is based on the total expenses of AmanahRaya REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of AmanahRaya REIT with other real estate investment trusts may not be an accurate comparison.

### 24. TRANSACTIONS WITH COMPANY RELATED TO THE MANAGER

(a) Identities of related parties

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

(b) In addition to the transactions detailed elsewhere in the financial statements, the Manager and the Trust had the following transactions with related parties during the financial year:

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Rental received and receivable from holding company of the Manager	6,742,841	6,609,319
Security deposits from lessees placed with the holding company of the Manager (Note 7)	58,047,555	61,461,971

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 25. TRANSACTIONS WITH BROKERS/DEALERS

There were no transactions made with brokers/dealers during the financial year.

### 26. FINANCIAL INSTRUMENTS

#### (a) Capital management

The primary objective of the Manager is to ensure that the Trust would be able to continue as a going concern while maximising the returns to unitholders through a balance of issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from financial year ended 31 December 2011.

The Manager manages the capital structure of the Trust and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

The Manager will also comply with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of the Trust.

The Manager monitors capital using a gearing ratio, which is total borrowings divided by total assets of the Trust pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts.

	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Total borrowings	363,556,059	363,260,671
Total assets	1,045,756,129	1,040,472,590
Gearing ratio	34.76%	34.91%

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 26. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

	<b>Loans and receivables RM</b>
<b>2012</b>	
<b>Financial assets</b>	
Trade and other receivables	1,718,467
Security deposits in Trust accounts and a financial institution	59,166,405
Cash and cash equivalents	32,394,275
	<b>93,279,147</b>
<b>Other financial liabilities RM</b>	
<b>Financial liabilities</b>	
Borrowings	363,556,059
Trade and other payables	65,162,280
	<b>428,718,339</b>
<b>2011</b>	
<b>Financial assets</b>	
Trade and other receivables	3,432,445
Security deposits in Trust accounts and a financial institution	62,544,331
Cash and cash equivalents	29,735,814
	<b>95,712,590</b>
<b>Other financial liabilities RM</b>	
<b>Financial liabilities</b>	
Borrowings	363,260,671
Trade and other payables	65,716,166
	<b>428,976,837</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 26. FINANCIAL INSTRUMENTS (continued)

- (c) Methods and assumptions used to estimate fair value

The fair value of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, and trade and other payables, are reasonable approximation of fair value, due to their short-term nature.

- (i) Borrowings and tenants' deposits

The fair value of bank borrowings and tenants' deposits is determined using estimated future cash flows discounted at market related rate for similar instruments at the end of the reporting period.

### 27. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Trust's financial risk management objective is to optimise value creation for unitholders whilst minimising the potential adverse impact arising from fluctuations in interest rates and the unpredictability of the financial markets.

The Trust has written risk management policies and guidelines which sets out its overall business strategies and general risk management philosophy. The Trust is exposed mainly to credit risk, liquidity and cash flow risk, and interest rate risk, which arises in the normal course of the Trust's business. Information on the Trust of the related exposures is detailed below:

- i) Credit risk

The Trust is exposed to credit risk mainly from receivables. The Trust extends credit to its tenants based upon established credit evaluation and credit control and monitoring guidelines. The maximum exposure to credit risk is represented by the carrying amount of financial assets.

As at the end of the reporting period, other than the amount owing by one (1) major tenant of the Trust constituting 98% (2011: 35%) of the total receivables of the Trust, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Trust is represented by the carrying amount of each class of financial assets in the statement of financial position.

The Trust seeks to invest cash assets safely and profitably with placement of such assets with creditworthy licensed banks and financial institutions. In respect of security deposits placed in Trust accounts and deposits placed with financial institutions in Malaysia, the Directors of the Manager believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 27. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (continued)

i) Credit risk (continued)

Exposure to credit risk

At the end of the reporting period, the Trust's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 6 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 6 to the financial statements. Deposit in trust accounts and financial institution that are neither past due nor impaired are placed with or entered into with a reputable financial institution or company with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 6 to the financial statements.

ii) Liquidity and cash flow risk

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance the Trust's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trusts concerning limits on total borrowings.

Analysis of financial instruments by remaining contractual maturities

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

	<b>On demand or within one year RM</b>	<b>One to five years RM</b>	<b>Over five years RM</b>	<b>Total RM</b>
<b>2012</b>				
<b>Financial liabilities</b>				
Tenants' deposits	5,589,777	49,709,121	-	55,298,898
Trade and other payables	9,863,382	-	-	9,863,382
Borrowings	-	403,244,374	-	403,244,374
Total undiscounted financial liabilities	15,453,159	452,953,495	-	468,406,654

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 27. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (continued)

ii) Liquidity and cash flow risk (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>2011</b>				
<b>Financial liabilities</b>				
Tenants' deposits	280,325	57,282,246	-	57,562,571
Trade and other payables	8,153,595	-	-	8,153,595
Borrowings	-	419,903,839	-	419,903,839
Total undiscounted financial liabilities	8,433,920	477,186,085	-	485,620,005

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Trust's financial instruments will fluctuate because of changes in market interest rates.

The Trust's exposure to fluctuation in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest rate exposure which arises from borrowing is managed through the use of fixed rate debt with long term tenure.

Sensitivity analysis for interest rate risk

As at 31 December 2012, if interest rates at the date had been 10 basis points lower or higher with all other variables held constant, post-tax profit for the financial year would have been RM333,168 (2011: RM339,126) higher or lower, arising mainly as a result of lower or higher interest expense on variable borrowings and interest income from deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

In respect of interest-bearing financial assets and financial liabilities, the following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk:



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 27. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (continued)

iii) Interest rate risk (continued)

	Weighted average effective interest rate (per annum) %	Within 1 year RM	1-5 years RM	Total RM
<b>At 31 December 2012</b>				
<b>Fixed rate</b>				
Borrowings (Note 9)	4.57	-	363,556,059	363,556,059
<b>Floating rate</b>				
Deposits placed with licensed financial institutions (Note 8)	3.04	32,392,039	-	32,392,039
<b>At 31 December 2011</b>				
<b>Fixed rate</b>				
Borrowings (Note 9)	4.57	-	363,260,671	363,260,671
<b>Floating rate</b>				
Deposits placed with licensed financial institutions (Note 8)	3.32	29,732,200	-	29,732,200

### 28. OPERATING LEASES

#### Leases whereby AmanahRaya REIT is the Lessor

The Trust leases out its investment properties with different tenure of leases (Note 5). The future minimum lease payments under non-cancellable leases are as follows:

	2012 RM	2011 RM
Not later than one year	66,536,388	67,062,638
Between two to five years	205,282,508	255,981,410
Later than five years	37,541,088	37,541,088
	309,359,984	360,585,136

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 29. OPERATING SEGMENT

As the principal activity of AmanahRaya REIT is to invest in properties currently all located in Malaysia with the primary objective to derive rental income, there are no risk and returns distinguishable between business and geographical segments. No operating segment reporting is thus presented.

### 30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) In June 2012, CIMB Islamic Trustee Berhad has entered into a Sale and Purchase Agreement ("SPA") with Tenaga Nasional Berhad ("TNB") on the disposal of Wisma UEP for RM40.0 million. However, as at the end of the reporting period, the disposal has not been completed yet as TNB has not made the full payment, which is a condition stipulated in the SPA to be satisfied before the risks and rewards of ownership can be transferred.

Subsequent to the end of the reporting period, on 21 January 2013, TNB has made the full payment for the purchase of Wisma UEP.

- (b) A term sheet was signed between CIMB Islamic Trustee Berhad and Permanis Sdn. Bhd. ("Permanis") to dispose of the Permanis Factory to Permanis for RM31.0 million, which is expected to be completed within the next financial year.

### 31. EXPLANATION OF TRANSITION TO MFRSs

The Trust is a non-transitioning entity as defined by the MASB, and has adopted the MFRS Framework during the financial year ended 31 December 2012. Accordingly, these are the first financial statements of the Trust prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Trust for the financial year ended 31 December 2012, as well as comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the date of transition of the Trust to MFRSs).

The Trust has not adjusted any amounts previously reported in the financial statements that were prepared in accordance with the previous FRS Frameworks. In preparing the opening statement of financial position at 1 January 2011, there is no impact arising from the transition from FRSs to MFRSs on the Trust's financial position, financial performance and cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2012 (CONT'D)

### 32. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The distributable income as at the end of the reporting period may be analysed as follows:

	2012 RM	2011 RM
Total distributable income of the Trust		
- Realised	15,641,999	13,995,110
- Unrealised	71,455,000	67,955,000
	87,096,999	81,950,110

The unrealised income relates to the cumulative net change arising from the fair value adjustments to the investment properties.

The supplementary information on realised and unrealised profits or losses has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

# UNITHOLDERS STATISTICS

## TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012

Total Unit Holders : 3,458

Ranking	Unitholder	No. of Units	% of Total Issued Units
1	Amanah Raya Berhad Kumpulan Wang Bersama	345,287,358	60.24
2	Perbadanan Kemajuan Negeri Selangor	32,360,000	5.65
3	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for American International Assurance Berhad	21,514,200	3.75
4	AmanahRaya Investment Bank Ltd	12,400,000	2.16
5	Kurnia Insurans (Malaysia) Berhad	12,000,000	2.09
6	Valuecap Sdn Bhd	11,384,100	1.99
7	Kurnia Insurans (Malaysia) Berhad	7,773,200	1.36
8	Cahaya Mata Sarawak Berhad	5,000,000	0.87
9	Koperasi Permodalan Felda Malaysia Berhad	5,000,000	0.87
10	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (LIFE PAR FD)	4,022,000	0.70
11	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (ANN FD)	2,470,200	0.43
12	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (GEN FD)	2,400,000	0.42
13	Amanah Raya Berhad Amanah Raya Capital Sdn Bhd	2,032,600	0.35
14	Maybank Nominees (Tempatan) Sdn Bhd Mohd Iskandar Lau bin Abdullah	1,262,100	0.22
15	HwangDBS Investment Bank Berhad IVT (JBD)	1,141,900	0.20
16	Dev Kumar Menon	1,127,000	0.20
17	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pee Siew Boon (8057713)	1,126,000	0.20
18	Malaysian Rating Corporation Berhad	1,095,000	0.19
19	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGHK FOR SABLE INVESTMENT CORPORATION	1,063,800	0.19
20	Mok Teck Liang	1,018,600	0.18
21	SEG Equity Sdn Bhd	1,000,000	0.17
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,000,000	0.17
23	State Insurance Brokers Sdn Bhd	1,000,000	0.17
24	Citigroup Nominees (Tempatan) Sdn Bhd AIG Malaysia Insurance Berhad	1,000,000	0.17
25	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (SHH FD)	992,800	0.17

# UNITHOLDERS STATISTICS (CONT'D)

## TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012 (cont'd)

Total Unit Holders : 3,458

Ranking	Unitholder	No. of Units	% of Total Issued Units
26	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Woo Beng Keong (8026873)	935,000	0.16
27	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (GRP LIFE FD)	825,000	0.14
28	Ang Siew Siang	800,000	0.14
29	Labuan Reinsurance (L) Ltd	760,000	0.13
30	Kim Gap Yong	735,000	0.13

## ANALYSIS OF UNITHOLDINGS

### Distribution of Unitholders as at 31 December 2012

Unit Class	No. of unitholders	%	No. of unitholding	%
Less than 100	6	0.17	78	0.00
100 – 1,000	430	12.43	374,222	0.07
1,001 – 10,000	1,728	49.97	9,784,000	1.71
10,001 – 100,000	1,077	31.15	36,749,100	6.41
100,001 to less than 5% of issued holdings	215	6.22	148,665,100	25.94
5% and above the issued holdings	2	0.06	377,647,358	65.88
<b>Total</b>	<b>3,458</b>	<b>100.00</b>	<b>573,219,858</b>	<b>100.00</b>

The units in circulation remained at 573,219,858 during the financial year.

### Classification of Unitholders as at 31 December 2012

Category of Unitholder	No. of Holders			No. of Securities Held		
	Malaysian Bumiputra	Non- Bumiputra	Foreign	Malaysian Bumiputra	Non- Bumiputra	Foreign
1) Individual	171	2,425	26	1,329,000	60,968,023	2,240,700
2) Body Corporate						
a. Banks/finance companies	6	1	0	359,154,058	1,141,900	0
b. Investments trust/foundation/ charities	0	0	0	0	0	0
c. Other types of companies	7	47	1	23,702,000	28,517,500	40,000
3) Government agencies/Institutions*	2	0	0	32,887,700	0	0
4) Nominees	418	319	35	10,824,077	47,912,600	4,502,300
<b>Total</b>	<b>604</b>	<b>2,792</b>	<b>62</b>	<b>427,896,835</b>	<b>138,540,023</b>	<b>6,783,000</b>

# ADDITIONAL DISCLOSURE

## ADDITIONAL INFORMATION PURSUANT TO LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds received during the current financial year.

### 2. SHARE BUY-BACKS DURING THE FINANCIAL YEAR

The Fund did not carry out any share buy-backs exercise during the financial year ended 31 December 2012.

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Fund did not issue any warrants or convertible securities for the financial year ended 31 December 2012.

### 4. AMERICAN DEPOSITORY RECEIPTS (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

The Fund has not sponsored any ADR/GDR programme during the financial year ended 31 December 2012.

### 5. SANCTION/PENALTIES

There were no sanctions and/or penalties imposed on the Fund and/or the Manager during the financial year ended 31 December 2012.

### 6. NON-AUDIT FEES

There is no non-audit fee paid by the Fund to the auditors during the financial year ended 31 December 2012.

### 7. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2012.

### 8. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the fund involving the interest of Directors and major Unitholders, either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial period.

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[www.amanahrayareit.com.my](http://www.amanahrayareit.com.my)

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