

ANNUAL REPORT 2008

# Everyday Malls Primed For Growth

 **LMIR TRUST**  
LIPPO-MAPLETREE  
INDONESIA RETAIL TRUST



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# CORPORATE PROFILE - ABOUT LMIR TRUST

## Everyday Malls Primed For Defensive Growth

Lippo-Mapletree Indonesia Retail Trust ("LMIR Trust"), the first real estate investment trust ("REIT") in Singapore to provide exposure to Indonesia's growing retail sector, is focused on enhancing shareholder value through active asset enhancement and sound financial management that ensure steady and defensive income for investors.

LMIR Trust's portfolio comprises eight high-quality retail malls and seven retail spaces located within other malls with a combined net lettable area ("NLA") of 402,632 sqm<sup>1</sup> and valuation of S\$830 million<sup>2</sup> as at December 31, 2008. Strategically located within large urban middle-class population catchment areas in Greater Jakarta, Bandung and Medan, LMIR Trust's portfolio properties are everyday malls popular with middle-to-upper-middle-income domestic consumers in Indonesia. Top tenants include well-known international and domestic retailers and brandnames, such as Matahari Department Store, Hypermart, Giant Hypermarket, Gramedia Bookstore, Starbucks, Giordano, Fitness First, Sports Station and Studio 21 Cinema.

Since its listing on November 19, 2007, LMIR Trust has undertaken prudent acquisition to prime the vast potential of its portfolio for long-term growth. This included the acquisition of Sun Plaza, a landmark retail mall in Medan, the third most populous city in Indonesia after Jakarta and Surabaya. To-date, LMIR Trust's malls and retail spaces continue to enjoy a strong average occupancy rate of 95.7% compared to the 84.6%<sup>3</sup> industry average.

Going forward, LMIR Trust will look towards focusing on organic growth through proactive asset management to maintain its strong occupancy.



*Ekalokasari Plaza.*

## About the Sponsor and the Manager

The Sponsor of LMIR Trust is PT Lippo Karawaci Tbk, Indonesia's largest listed property company and an internationally recognised corporation with a track record and dominant position within the property industry in Indonesia.

The Manager, Lippo-Mapletree Indonesia Retail Trust Management Ltd, is incorporated in Singapore and 60.0% indirectly owned by the Sponsor and 40.0% owned by Mapletree Management Pte. Ltd, a wholly-owned subsidiary of the Mapletree Group, a leading real estate company in Singapore with an asset base of S\$4.5 billion comprising office, logistics, industrial, retail and lifestyle properties.

<sup>1</sup> As at December 31, 2008.

<sup>2</sup> Valuation from Knight Frank as at November 30, 2008.

<sup>3</sup> Cushman & Wakefield Indonesia Q4 Market Review.

# OUR VISION

To be the premier retail REIT in Asia, creating and utilising scale whilst leading the way in innovation and quality. We aim to create long term value for stakeholders by providing access to high growth malls as well as strong economic and consumer growth.



Istana Plaza.



Ekalokasari Plaza.

# OUR MISSION

We are committed to:

- delivering regular and stable distributions to Unitholders
- growing our portfolio by way of investments in retail and/or retail related assets
- enhancing returns from existing and future properties
- achieving long-term growth to provide Unitholders with capital appreciation on their investments



*Outdoor dining.*

# GROUP FINANCIAL HIGHLIGHTS

Summary of FY2008 <sup>1</sup> Results			
	2008		
	Actual S\$'000	Forecast S\$'000	Change %
Gross Revenue	101,761	94,202	▲ 8%
Property Operating Expenses	(13,464)	(5,942)	▲ 127%
Net Property Income	88,297	88,260	0%
Distributable Income	59,492	68,863	▼ 14%
Distribution Per Unit (cents)	5.60	6.48	▼ 14%

LMIR Trust recorded gross revenues of S\$101.8 million for the Financial Year 2008 ended December 31, 2008 ("FY2008"), which was above forecast, mainly due to the contribution from Sun Plaza, which was acquired on March 31, 2008.

Property operating expenses for FY2008 came to S\$13.5 million. The unfavourable increase of \$7.5 million compared to forecast is due mainly to allowance for impairment charge on outstanding receivables of S\$7.0 million comprising outstanding rent from wholesaler tenants.

Distribution to unitholders for FY2008 is S\$59.5 million, which is S\$9.4 million below forecast. This is mainly due to impairment charge for the outstanding receivables of \$7.0 million as explained above, and the writing off of the arrangement fee of S\$2.8 million for the balance S\$225 million loan to be syndicated in 2009. This translates into a DPU of 5.60 cents for FY2008.

Notwithstanding the challenging economic climate, LMIR Trust still managed to achieve high average occupancy of 95.7%, above the industry average of 84.6%. LMIR Trust's gearing of 12.4% is well within the aggregate leverage limit as set out in the guidelines for real estate investment trusts in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. LMIR Trust's portfolio is well diversified with no single property accounting for more than 21% of total net property income. Tenant diversification is balanced with no single trade sector accounting for more than 17% of total NLA, which provides stability in the current economic climate.

For 2009, LMIR Trust will focus on organic growth through proactive asset management to maintain strong occupancy, balanced property and tenant diversification across its retail malls and spaces. Asset acquisitions are unlikely.

<sup>1</sup> FY 2008 includes private trust period from 8 August 2007 to 18 November 2007 and public trust from 19 November 2007 ("Listing Date") to 31 December 2008.

**Balance Sheet as at December 31, 2008**

	<b>S\$'000</b>
Non current assets	882,438
Current assets	125,317
<b>Total assets</b>	<b>1,007,755</b>
Current liabilities	22,185
Non current liabilities	217,408
<b>Net assets</b>	<b>768,162</b>

**Debt Information**

Loan drawdown	S\$125 Million
Tenure <sup>1</sup>	5 Years
Average cost of debt	6.42% p.a.
Gearing ratio <sup>2</sup>	12.4%

- <sup>1</sup> Term loan repayable after 5 years from March 31, 2008.  
<sup>2</sup> Based on deposited property as defined in the Trust Deed.

**Total Units in Issue**

Excluding management fee payable in units	1,065,959,234
Including management fee payable in units	1,067,525,766

**Net Asset Value (NAV)**

Excluding management fee payable in units	S\$0.7206
Including management fee payable in units	S\$0.6729

**Unit Price Performance FY2008<sup>1</sup>**

IPO Offering Price	\$0.80
As at First Trading Day	\$0.68
As at Last Trading Day	\$0.31
Highest	\$0.77
Lowest	\$0.17
Trading Volume (Million Unit)	540.69

- <sup>1</sup> FY 2008 includes private trust period from 8 August 2007 to 18 November 2007 and public trust from 19 November 2007 ("Listing Date") to 31 December 2008.





## DELIVERING PERFORMANCE

Prudent capital management and proactive asset enhancement has been the cornerstone of LMIR Trust's performance. It is a strategy that has yielded high occupancy, balanced property and tenant diversification across LMIR Trust's retail malls providing for resilient, stable earnings.



# LETTER TO UNITHOLDERS



Ms Viven Gouw Sitiabudi, CEO and Mr Tan Bar Tien, Chairman.

***LMIR Trust contended with challenging macro-economic conditions in FY2008 and emerged financially stable with low gearing, defensive and steady revenues and a well-balanced, diversified portfolio of retail properties located within high population urban middle-class catchment areas.***

Dear Unitholders

On behalf of the Board of Directors of Lippo-Mapletree Indonesia Retail Trust Management Ltd, manager of LMIR Trust, we are pleased to share with you the key milestones and progress that LMIR Trust has made in the Financial Year ended December 31, 2008.

## **Year in Review**

FY2008 was a historical year which saw unprecedented volatility in the global financial markets. Indonesia's economy displayed resilience in the face of the global downturn, registering GDP growth of 6.1%<sup>1</sup> for FY2008, helped by increased government fiscal expenditure and lower inflation.

As at September 2008, the total retail space in Jakarta increased slightly by 0.27 million square metres to 3.37 million square metres from 3.10 million square metres in June 2008. The overall occupancy rate for the industry held steady at 84.6%<sup>2</sup> as at December 31, 2008.

LMIR Trust's resilient operational performance for FY2008 was supported by our portfolio of defensive suburban malls and retail spaces strategically located in high population urban middle-class catchment

areas in Greater Jakarta, Bandung and Medan, a sound balance sheet and strong management team.

FY2008 witnessed LMIR Trust's maiden acquisition of Sun Plaza, one of the largest shopping centres in Medan, North Sumatra at a purchase price of approximately S\$146.7<sup>3</sup> million, which increased our total portfolio NLA by approximately 20% since our IPO. As at December 31, 2008, our total NLA stands at 402,632 sqm.

Against the challenging backdrop of high inflation and slowdown in discretionary consumer spending, gross revenues in FY2008 came to S\$101.8 million, 8% higher than forecasted due mainly to contribution from the acquisition of Sun Plaza.

However, property operating expenses for FY2008 was high at S\$13.5 million, due mainly to allowance for impairment of S\$7.0 million in outstanding receivables comprising outstanding rent from wholesaler tenants. In addition, we wrote off S\$2.8 million of arrangement fee and the corresponding legal fee of S\$0.5 million relating to the balance S\$225 million loan to be syndicated in 2009. We undertook these as measures of prudence given the increasingly challenging credit environment. DPU came to 5.60 cents for FY2008.

Although we had to contend with an increasingly challenging economic climate, our retail malls achieved a high average occupancy rate of 95.7% as at December 31, 2008, which is above the industry average of 84.6%<sup>2</sup>.

<sup>1</sup> Thomson Reuters, February 18, 2009.

<sup>2</sup> Cushman & Wakefield Indonesia Q4 Market Review.

<sup>3</sup> Purchase price of the Singapore Companies which own the Indonesian Company which wholly own Sun Plaza.

### Capital Management

LMIR Trust benefits from an optimal capital structure in the face of the tightening credit market. As at December 31, 2008, LMIR Trust's gearing ratio remains at a conservative 12.4%, which is below the aggregate leverage limit as set out in the guidelines for REITs in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. Our current gearing is mainly from a S\$125 million loan with a five-year tenure and all-in interest rate of 6.42% p.a. Due to a delay in getting the consents from BOT (Build Operate Transfer) grantors for two of LMIR Trust's malls to enter into the loan documents, Manager is currently in discussion with the lending bank to extend the period in getting these BOT consents to the end of the year. This restructuring of the current S\$125 million five year loan, may result in a reduction of the loan tenure by one year and restructuring fee of around S\$1.5 million in return for an extension on the delivery of the two underlying BOT consents by 31 Dec 2009. No other borrowings have been incurred since December 31, 2008. We expect that the relevant consents will be obtained by the end of 2009.

We will continue to focus on prudent capital management strategy by conserving cash through tight controls over operating and capital expenditure.

### Asset enhancement progress

We are pleased to report positive progress of our asset enhancement initiatives (AEI). Our AEI plans are designed to add value to our existing malls and increase shopper traffic to maximise their growth potential from Indonesia's expanding urban middle-class segment.

Istana Plaza's AEI is progressing with the conversion of an ice skating rink into new cafeterias, restaurants and an expanded food court. About 653 sqm of additional NLA will be derived from the 950 sqm proposed area.

Going forward, we will continue to look at achieving an optimal balance between AEI and a need to conserve cash, for greater financial flexibility.

### Defensive earnings in uncertain times

LMIR Trust's property portfolio comprises retail malls and retail spaces located in Indonesia's major cities with large urban middle-class population catchment areas that are easily accessible via major transportation routes and highways. The strong average occupancy of the properties, coupled with well diversified tenant mix where no particular trade

sector accounts for more than 17% of total NLA and no single property constitutes more than 21% of total net property income, ensures defensive earnings for the Trust during the current uncertain times.

The main shopper traffic at our retail malls and spaces comprises Indonesia's domestic urban middle-income to upper-middle-income consumer segments, which have greater resilience to inflation in consumer staple prices. LMIR Trust's malls are also deemed as "everyday malls" for daily essentials, food outlets and family entertainment. Whilst these defensive qualities provide stability to LMIR Trust's income and cashflow, we will continue to monitor developments in the macroeconomic environment and their potential impact on our business.

### Update on utilisation of IPO proceeds

LMIR Trust raised gross proceeds of S\$848.3 million upon listing. This amount has been fully applied for payment of the purchase consideration for the acquisition of all the ordinary shares and redeemable preference shares of the Singapore companies (which in turn owns the Indonesian companies which wholly own the retail malls and retail spaces in Indonesia), and the issue costs related to the IPO.

### Outlook

We anticipate 2009 to be a challenging year, with retail space demand expected to weaken and competition among landlords to intensify. In addition, rental trends in Indonesia are expected to come under pressure. Our strategy is to continue to focus on organic growth, whilst exercising prudence in asset enhancements and acquisitions. In addition, through proactive asset management, we will do our utmost to maintain good occupancy and balanced property and tenant diversification across our retail malls and spaces for steady, defensive earnings.

### Acknowledgements

LMIR Trust's resilient performance is due to the unrelenting support provided by its tenants, shoppers, business partners and employees. On behalf of the Board of Directors, we are privileged to extend our sincere thanks and appreciation to them and to you, our Unitholders, for your invaluable contribution, belief and confidence in our business.



**Mr Tan Bar Tien**  
Non-Executive  
Chairman



**Ms Viven Gouw Sitiabudi**  
Chief Executive Officer &  
Executive Director

# THE BOARD OF DIRECTORS



From top left to bottom right :

- Mr Tan Bar Tien
- Ms Viven Gouw Sitiabudi
- Mr Lim Ho Seng
- Mr Lok Vi Ming
- Mr Yeo Cheow Tong
- Mr Wong Mun Hoong
- Mr Tan Boon Leong



### **Mr Tan Bar Tien**

#### **Chairman**

#### **Independent Non-Executive Director**

Mr Tan Bar Tien is a lawyer with 30 years of practice and extensive experience in various aspects of law including corporate law, property law and litigation matters. Mr Tan has represented clients in transactions in relation to completed properties and properties under construction and is familiar with real estate matters such as property mortgages, sale and purchase of properties, construction loans and developer's projects, including the construction of properties on a progressive basis. Mr Tan graduated from the University of Singapore in 1976 with a degree in Bachelor of Laws (Honours), and was admitted as an Advocate and Solicitor of the High Court of Singapore in January 1977.

### **Mr Lim Ho Seng**

#### **Independent Non-Executive Director**

Mr Lim Ho Seng has over 20 years of experience in the retail industry and was formerly the Chief Executive Officer of NTUC Fairprice Cooperative Ltd, which has investments in real estate and leases retail spaces to other retail tenants. Mr Lim was previously a director of Tampines Mall Pte Ltd, which was subsequently acquired by CapitaMall Trust, and is currently the Chairman of Baker Technology Limited. He is a Fellow of the Institute of Certified Public Accountants of Singapore, the Institute of Certified Public Accountants, Australia, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, United Kingdom and the Singapore Institute of Directors.

### **Mr Lok Vi Ming**

#### **Independent Non-Executive Director**

Mr Lok Vi Ming is a partner and head of the Aviation Practice Group at M/s Rodyk & Davidson. Appointed as a Senior Counsel in 2005, Mr Lok is an internationally renowned aviation lawyer who has been featured in Euromoney Legal Media's Guide and Guide to the World's Leading Insurance and Reinsurance lawyers and also in the International Who's Who of Aviation lawyers 2005. Mr Lok is a Fellow of the Singapore Institute of Arbitrators and has been appointed to the Regional Panel of Arbitrators with the Singapore International Arbitration Centre.

Mr Lok graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1986.

### **Ms Viven Gouw Sitiabudi**

#### **Executive Director of the Board and Chief Executive Officer**

Ms Viven Gouw Sitiabudi has more than 20 years of experience in management, marketing and sales and was the President Director of the Sponsor. Under her stewardship in the past three years, the Sponsor has become the largest listed property company in Indonesia. She has been integral in identifying the opportunity for the Sponsor to invest in retail properties (the strata malls and the planned leased malls), enhancing existing assets and ensuring the delivery of the Sponsor's development projects, which span across

a variety of real estate sectors, including urban/township, residential clusters, condominium, hospitals as well as hotel projects, throughout Indonesia. Ms Sitiabudi graduated from the University of New South Wales, Australia in 1977 with a degree in Computer Science and Statistics.

### **Mr Yeo Cheow Tong**

#### **Non-Executive Director**

Mr Yeo Cheow Tong has been a prominent figure in the Singapore political landscape for over 20 years and had previously held different ministerial positions in the Singapore government such as Minister of Transport, Minister of Health, Minister for Community Development, Minister for Trade and Industry and Minister for the Environment. He is currently a Member of Parliament for Hong Kah Group Representation Constituency and sits on the panel of advisers for Lippo Group, Raffles Education Corporation as well as that for the University of Chicago Graduate School of Business. In addition, he holds the position of chairman of the Board of Governors of Raffles University, and is also a director of KillyInvest Pte Ltd. Mr Yeo graduated from the University of Western Australia in 1971 with a Bachelor's degree in Engineering.

### **Mr Tan Boon Leong**

#### **Non-Executive Director**

Mr Tan Boon Leong has 32 years of experience in the real estate industry and is currently the Chief Operating Officer of Mapletree Investments Private Limited. He is also a director of Mapletree Logistics Trust Management Ltd and chairs the Asset Control Group for VivoCity, the largest retail mall in Singapore. He has also worked with the Inland Revenue Authority of Singapore (IRAS) where he was involved in the valuation of real estate in Singapore and held the appointments of Tax Director (Technical Services—Property) and Head of Property and Valuation Services. He is currently a member of the Valuation Review Board of Singapore. Mr Tan was a Colombo Plan scholar and studied urban valuation (real estate) at the University of Auckland, New Zealand.

### **Mr Wong Mun Hoong**

#### **Non-Executive Director**

Mr Wong Mun Hoong is the Chief Financial Officer of Mapletree Investments Pte Ltd where he is responsible for Finance, Treasury, Corporate Planning & Investor Relations, Risk Management and Information Technology. He is also a director of Mapletree Logistics Trust Management Ltd. Mr Wong has over 14 years' investment banking experience in Asia, the last 10 years of which were with Merrill Lynch & Co, which included stints in Singapore, Hong Kong and Tokyo, and where he was a Director and Head of its Singapore Investment Banking Division. Mr Wong graduated with a Bachelor of Accountancy (Honours) from the National University of Singapore in 1990. He is a non-practising member of the Institute of Certified Public Accountants of Singapore. He holds the professional designation of Chartered Financial Analyst from the CFA Institute of the United States.

# MANAGEMENT TEAM



Standing from left to right :

Ms Rita Yovita Santosa  
Mr Rudi Chuan Hwee Hiow  
Ms Viven Gouw Sitiabudi  
Mr Leigh V Regan

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**Ms Viven Gouw Sitiabudi*****Executive Director of the Board and Chief Executive Officer***

Ms Viven Gouw Sitiabudi is responsible for the overall management and planning of the strategic direction of LMIR Trust, as well as overseeing its day-to-day operations, as Chief Executive Officer. Please refer to Board of Directors section for further details of Ms Viven Gouw Sitiabudi's profile.

**Mr Rudi Chuan Hwee Hiow*****Chief Financial Officer, Investor Relations Manager and Compliance Officer***

Mr Rudi Chuan Hwee Hiow brings with him extensive experience in corporate finance in the property, industrial, logistics and consumer sectors. Prior to joining LMIR Trust, he was the Senior Vice President (Finance & Accounting) with Macquarie Pacific Star Prime REIT Management Limited where he was in charge of finance and finance-related duties, human resource, information technology as well as serving as the co-company secretary. Mr Chuan is a certified public accountant and has been a member of the Institute of Certified Public Accountants of Singapore since 1988. He graduated in 1981 from the University of Otago, New Zealand, with a Bachelor of Commerce degree in Accounting and holds a Master's degree in Business Administration from the State University of New York, Buffalo.

**Mr Andreas Kartawinata** *(not in the picture)****Asset Manager***

Mr Andreas has over twenty years of experience in all phases of leasing, management, marketing and sales, including building a team of property professionals, market research, market planning, product management, advertising, promotion, sales and property management. Mr Kartawinata is also the President of the Association of Shopping Centres of Jakarta—Indonesia for two consecutive periods, namely 2003-2007 and 2007-2010. Mr Kartawinata has participated in international events such as sitting as a panelist on the Council of Asian Shopping Centre Seminar in Malaysia (2005) and Indonesia (2006). Mr Kartawinata graduated from Institute Technology of Bandung with a major in Electro-technique Engineering.

**Ms Rita Yovita Santosa*****Asset Manager***

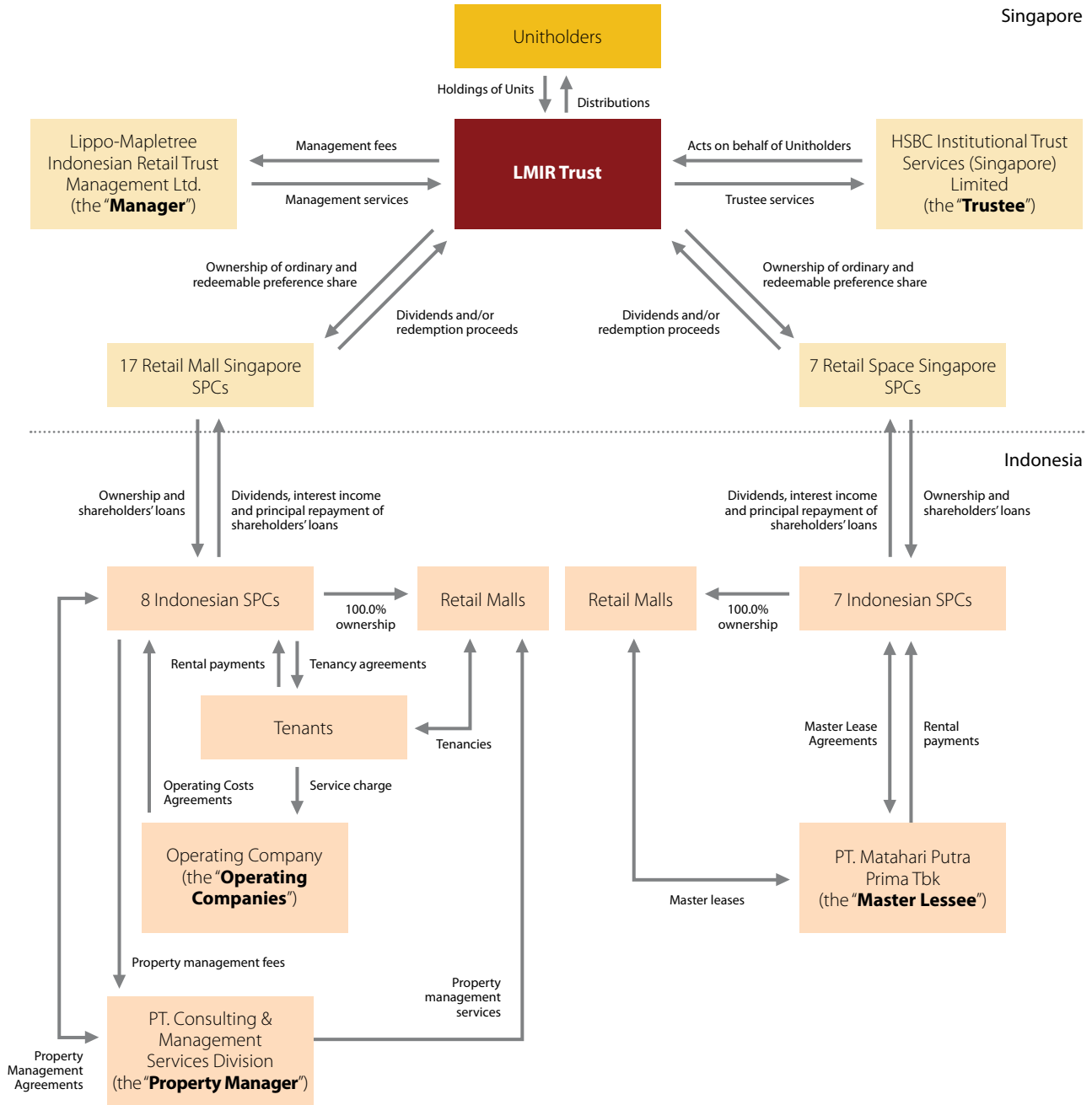
Ms. Rita Yovita Santosa has more than 10 years of experience in the real estate industry covering the area of property management and maintenance; marketing and lease management; property development and special project management; and asset enhancement program, negotiations and acquisitions. She previously held appointments as the General Manager of Lippo Karawaci-Asset Enhancement Division and Special Project Specialist of Lippo Bank-Asset Management Group. She holds an International Council of Shopping Centers Certificate from University of Shopping Centers and attended the Indonesia Shopping Centers Seminar & Congress at the Association of Indonesia Shopping Centers.

**Mr Leigh V Regan*****Investment Manager***

Mr Leigh V Regan brings with him 24 years of professional investment management experience, spanning areas such as retail property leasing, management and operations in Indonesia and Australia. Prior to LMIR Trust, Mr Regan was Chief Operating Officer of the US\$250 million Senayan City Mixed Use Project in Jakarta, Indonesia. He had also held senior appointments at Queensland Investment Corporation and Jones Lang LaSalle in Australia. Mr Regan holds Certified Practising Accountant (CPA) and Certified Shopping Centre Manager (CSMA) professional qualifications in addition to a Bachelor of Business from RMIT, Australia.

# TRUST STRUCTURE

The following diagram illustrates the relationships among LMIR Trust, the Manager, the Trustee, the Master Lessee, the Singapore SPCs, the Indonesian SPCs, the Operating Companies, the Property Manager and the Unitholders.



# CORPORATE INFORMATION

## Manager

### **Lippo-Mapletree Indonesia Retail Trust Management Ltd**

78 Shenton Way # 05-01  
Singapore 079120

## Directors of the Manager

### **Mr Tan Bar Tien**

Chairman & Independent Non-Executive Director

### **Ms Viven Gouw Sitiabudi**

Executive Director of the Board &  
Chief Executive Officer

### **Mr Lim Ho Seng**

Independent Non-Executive Director

### **Mr Lok Vi Ming**

Independent Non-Executive Director

### **Mr Yeo Cheow Tong**

Non-Executive Director

### **Mr Tan Boon Leong**

Non-Executive Director

### **Mr Wong Mun Hoong**

Non-Executive Director

## Audit Committee

### **Mr Tan Bar Tien**

### **Mr Lim Ho Seng**

### **Mr Lok Vi Ming**

## Trustee

### **HSBC Institutional Trust Services (Singapore) Limited**

21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320

## Stock Exchange Quotation

BBG : LMRT.SP  
RIC : LMRT.SI

## Unit Registrar

Boardroom Corporate & Advisory Services Pte Ltd  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483

## Auditors of the Trust

RSM Chio Lim LLP  
8 Wilkie Road  
#04-08 Wilkie Edge  
Singapore 228095  
(Partner-in-charge: Paul Lee Meng Seng)  
*(Appointment since financial year ended 31 December 2008)*

## Company Secretary

Boardroom Corporate & Advisory Services Pte Ltd  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483

## Independent Valuer

### **Knight Frank / PT. Wilson Properti Advisindo**

Wisma Nugra Santana #17-03  
Jl. Jend. Sudirman Kav. 7-8  
Jakarta 10220, Indonesia

## Bank

### **DBS Bank**

6 Shenton Way, DBS Building Tower One  
Singapore 068809

### **Deutsche Bank AG, Singapore branch**

One Raffles Quay  
#18-00 South Tower  
Singapore 048583

## Website & Email Address

[www.lmir-trust.com](http://www.lmir-trust.com)  
[ir@lmir-trust.com](mailto:ir@lmir-trust.com)





## DELIVERING QUALITY

LMIR Trust's portfolio properties are "everyday" high quality retail malls and spaces located in Indonesia's major cities within large urban middle-class population catchment areas. Tenants comprise well known international and domestic retailers and brandnames hugely popular with middle-to-upper-middle-income consumers.



# PORTFOLIO SUMMARY

No.	Property	Acquisition Date	Purchase Price (\$ million)	Vendor	Valuation as at 30 Nov 2008 (Rupiah million)
<b>Retail Malls</b>					
1	<b>Gajah Mada Plaza</b>	19-Nov-07	77.9	Dellmore Investment Ltd	612,100
2	<b>Cibubur Junction</b>	19-Nov-07	74.8	Market Holdings Ltd.	468,300
3	<b>The Plaza Semanggi</b>	19-Nov-07	163.3	Superior Asset Investment Ltd.	1,052,900
4	<b>Mal Lippo Cikarang</b>	19-Nov-07	59.2	Dellmore Investment Ltd	397,600
5	<b>Ekalokasari Plaza</b>	19-Nov-07	53.7	Golden Acres Investment Ltd	289,200
6	<b>Bandung Indah Plaza</b>	19-Nov-07	98.5	Victoria Investment Ltd	673,700
7	<b>Istana Plaza</b>	19-Nov-07	94.3	Millennium Capiatl Ltd	690,700
8	<b>Sun Plaza</b>	31-Mar-08	144.8	Hestia Investment Limited, Zellwager Enterprise Ltd, Quebecca Capital Ltd, Southern Titano Inc, Trois Investments Ltd	1,082,900
<b>Retail Spaces</b>					
9	<b>Mall WTC Matahari Units</b>	19-Nov-07	20.8	Tristar Capital Ltd.	146,000
10	<b>Metropolis Town Square Units</b>	19-Nov-07	27.7	Tristar Capital Ltd.	193,800
11	<b>Depok Town Square Units</b>	19-Nov-07	21.2	Tristar Capital Ltd.	148,900
12	<b>Java Supermall Units</b>	19-Nov-07	21.4	Tristar Capital Ltd.	151,600
13	<b>Malang Town Square Units</b>	19-Nov-07	21.1	Tristar Capital Ltd.	148,700
14	<b>Plaza Madiun</b>	19-Nov-07	27.6	Tristar Capital Ltd.	194,900
15	<b>Grand Palladium Medan Units</b>	19-Nov-07	21.6	Tristar Capital Ltd.	151,400
<b>Total or Weighted Average</b>			<b>927.6</b>		<b>6,402,700</b>

Gross Revenue for the year ended 31 Dec (S\$)	% of Total Gross Revenue	Lettable Area (sqm)	Land Title Term / Lease Title Term (Expiry of the tenure)	Major Tenants / Lessee
8,933,298	9%	34,585	30 years, (extendable upon expiry in January 2020)	Hypermart, Rimo Department Store
10,042,576	10%	34,139	20 years, (expiring in July 2025)	Hypermart, Matahari Department Store
20,545,045	20%	64,516	50 years (expiry in July 2054)	Centro Department Store, Giant Superstore
6,044,037	6%	28,705	30 years, (extendable upon expiry in May 2023)	Hypermart, Hero Supermarket
6,286,028	6%	25,623	25years, (expiring in June 2032)	Matahari Department Store, Foodmart
13,230,824	13%	30,231	40 years, (expiring in December 2030)	Hypermart, Matahari Department Store
10,084,681	10%	27,563	30 years, (expiring in November 2033)	Hero Supermarket, Rimo Department Store
12,058,345	12%	63,200	30 years, (extendable upon expiry in November 2032)	Sogo Department Store, Hypermart
1,890,270	2%	11,184	30 years, (extendable upon expiry in April 2018)	PT. Matahari Putra Prima Tbk.
2,577,150	2%	15,248	30 years, (extendable upon expiry in December 2029)	PT. Matahari Putra Prima Tbk.
1,929,207	2%	13,045	30 years, (extendable upon expiry in February 2035)	PT. Matahari Putra Prima Tbk.
1,873,031	2%	11,082	30 years, (extendable upon expiry in September 2017)	PT. Matahari Putra Prima Tbk.
1,870,158	2%	11,065	30 years, (extendable upon expiry in April 2033)	PT. Matahari Putra Prima Tbk.
2,412,148	2%	19,029	30 years, (extendable upon expiry in February 2012)	PT. Matahari Putra Prima Tbk.
1,984,222	2%	13,417	The strata titles certificates are in the process of being issued by Indonesia land office	PT. Matahari Putra Prima Tbk.
<b>Total: 101,761,021</b>	<b>100%</b>	<b>402,632</b>		

# PORTFOLIO REVIEW - RETAIL MALLS

## LMIR TRUST's portfolio at a glance

LMIR Trust's core portfolio comprises eight Retail Malls with a total NLA of 308,562 sqm. Five of the Retail Malls are located in Greater Jakarta, two in Bandung, the fourth largest populated city in Indonesia, and one in Medan, Sumatra, the third most populous city in Indonesia after Jakarta and Surabaya. As at December 31, 2008, the Retail Malls had a weighted average occupancy of approximately 95.7%.



### Gajah Mada Plaza

Prominently located in the heart of Jakarta in Chinatown with a strong leisure and entertainment component.

Location	Jalan Gajah Mada, Central Jakarta
Appraised Value	S\$79.3 m
Gross Floor Area	66,160 sqm
Net Lettable Area	34,585 sqm
Occupancy Rate	96.1%
Website	<a href="http://www.gajahmadaplaza.com">www.gajahmadaplaza.com</a>



### Cibubur Junction

Located in the middle of Cibubur, one of the most affluent and upmarket residential areas in Jakarta.

Location	Jalan Jambore, Cibubur, East Jakarta
Appraised Value	S\$60.7 m
Gross Floor Area	49,341 sqm
Net Lettable Area	34,139 sqm
Occupancy Rate	96.7%
Website	<a href="http://www.cibuburjunction.com">www.cibuburjunction.com</a>



### The Plaza Semanggi

Located in the heart of Jakarta's CBD within the city's Golden Triangle.

Location	Jalan Jend Sudirman, South Jakarta
Appraised Value	S\$136.5 m
Gross Floor Area	91,232 sqm
Net Lettable Area	64,516 sqm
Occupancy Rate	93.6%
Website	<a href="http://www.theplazasemanggi.com">www.theplazasemanggi.com</a>



### Mal Lippo Cikarang

The main shopping centre in the Lippo Cikarang estate with limited competition in a 10-km radius.

Location	Jalan MH Thamrin, Lippo Cikarang
Appraised Value	S\$51.5 m
Gross Floor Area	37,418 sqm
Net Lettable Area	28,705 sqm
Occupancy Rate	93.6%
Website	<a href="http://www.mallippocikarang.com">www.mallippocikarang.com</a>



### Ekalokasari Plaza

The retail mall of convenience and choice in Bogor.

Location	Jalan Siliwangi 123, Bogor, West Java
Appraised Value	S\$37.5 m
Gross Floor Area	39,895 sqm
Net Lettable Area	25,632 sqm
Occupancy Rate	93.7%
Website	<a href="http://www.yourlippomall.com/mall/ekalokasari/">www.yourlippomall.com/mall/ekalokasari/</a>

# PORTFOLIO REVIEW - RETAIL MALLS (cont'd)



## Bandung Indah Plaza

Located in the heart of Bandung's CBD.

Location	Jalan Merdeka, Bandung, West Java
Appraised Value	S\$87.3 m
Gross Floor Area	55,196 sqm
Net Lettable Area	30,231 sqm
Occupancy Rate	97.9%
Website	<a href="http://www.yourlippomall.com/mall/bit">www.yourlippomall.com/mall/bit</a>



## Istana Plaza

Located in the CBD of Bandung at the junction between two busy roads.

Location	Jl. Pasir Kaliki, Bandung, West Java
Appraised Value	S\$89.5 m
Gross Floor Area	37,434 sqm
Net Lettable Area	27,563 sqm
Occupancy Rate	99.5%
Website	<a href="http://www.istanaplaza.co.id">www.istanaplaza.co.id</a>



## Sun Plaza

The largest and only upmarket retail mall in Medan, Sumatra.

Location	Jl Haji Zainul Arifin, Medan, Sumatra
Appraised Value	S\$140.4 m
Gross Floor Area	73,871 sqm
Net Lettable Area	63,200 sqm
Occupancy Rate	96.2%
Website	<a href="http://www.sunplaza-medan.com">www.sunplaza-medan.com</a>

# PORTFOLIO REVIEW - RETAIL SPACES

## Retail Spaces

The Retail Spaces occupy a total NLA of 94,070 sqm and are strategically located as anchor spaces within retail malls. Three of the seven Retail Spaces are located within Greater Jakarta and four are situated in the major cities of Semarang, Medan, Madiun and Malang.



### Mall WTC Matahari Units

Strategically located on the main road connecting the BSD residential estate, the largest residential estate in Greater Jakarta.

Location	Jalan Raya Serpong, Tangerang, Greater Jakarta
Appraised Value	S\$18.9 m
Net Lettable Area	11,184 sqm
Current Utilisation	Hypermart, Matahari Department Store and Timezone
Occupancy Rate	100%
Website	<a href="http://www.wtcmatahari.com">www.wtcmatahari.com</a>



### Metropolis Town Square Units

A one-stop shopping mall located along one of the main roads in Tangerang.

Location	Jalan Hartono Raya, Tangerang, Greater Jakarta
Appraised Value	S\$25.1 m
Net Lettable Area	15,248 sqm
Current Utilisation	Hypermart, Matahari Department Store and Timezone
Occupancy Rate	100%
Website	<a href="http://www.metropolistownsquare.com">www.metropolistownsquare.com</a>



### Depok Town Square Units

Depok Town Square is located adjacent to the University of Indonesia and has direct access to Pondok Cina railway station.

Location	Jalan Margonda Raya, Depok, Greater Jakarta
Appraised Value	S\$19.3 m
Net Lettable Area	13,045 sqm
Current Utilisation	Hypermart, Matahari Department Store, Timezone
Occupancy Rate	100%
Website	<a href="http://www.depoktownsquare.com">www.depoktownsquare.com</a>

# PORTFOLIO REVIEW - RETAIL SPACES (cont'd)



## Java Supermall Units

Located in Semarang, capital of Central Java province and the fifth largest city in terms of population in Indonesia.

Location	Jalan MT Haryono, Semarang, Central Java
Appraised Value	S\$19.7 m
Net Lettable Area	11,082 sqm
Current Utilisation	Matahari Department Store and Foodmart supermarket
Occupancy Rate	100%
Website	-



## Malang Town Square Units

Conceptualised as an international lifestyle mall, the biggest and most comprehensive mall in Malang.

Location	Jalan Veteran, Malang, East Java
Appraised Value	S\$19.3 m
Net Lettable Area	11,065 sqm
Current Utilisation	Hypermart, Matahari Department Store, Timezone
Occupancy Rate	100%
Website	-



## Plaza Madiun

The biggest mall in Madiun, located on Pahlawan Street, a major road of the city.

Location	Jalan Pahlawan, Madiun, East Java
Appraised Value	S\$25.3 m
Net Lettable Area	19,029 sqm
Current Utilisation	Matahari Department Store and Foodmart supermarket
Occupancy Rate	100%
Website	-



## Grand Palladium Medan Units

Located within the Medan CBD and surrounded by government and business offices and the town hall.

Location	Jl. Kapt. Maulana Lubis, Medan, North Sumatra
Appraised Value	S\$19.6 m
Net Lettable Area	13,417 sqm
Current Utilisation	Department store, hypermarket, entertainment and game centre
Occupancy Rate	100%
Website	<a href="http://www.thegrandpalladium.com">www.thegrandpalladium.com</a>

# PORTFOLIO LOCATION MAP







## REACHING OUT TO CUSTOMERS

Strategic asset enhancement initiatives have extended the NLA of existing malls and added highly appealing retail concepts that increased shopper traffic. LMIR Trust will continually undertake innovative marketing strategies and active tenant remixing to enhance its properties' appeal as one-stop destination malls for its valued customers.

# MARKET REPORT



Groceries shopping at our hypermart.



Bandung Indah Plaza.

Economics Indicators					
Indonesian Economic Indicator					
	2004	2005	2006	2007	2008
Economic Growth (% YoY)	5.00	5.70	5.50	6.30	6.30 <sup>1</sup>
Inflation Rate (%)	6.40	17.11	6.60	6.59	11.06 <sup>2</sup>
Exchange Rate (Rp/US\$)	8,934	9,695	8,9800	9,124	9,672 <sup>2</sup>
Interest Rate - Central Bank Rate (%)	7.40	12.75	9.75	8.000	9.25 <sup>3</sup>

(Source: Statistics Indonesia, Finance Department, Bank Indonesia).

## Retail Sector Supply

Amidst the uncertainty of the global crisis where worldwide retailers announced their business contraction, two shopping centers were launched taking the opportunity of year-end holidays. Pejaten Village belong to Lippo Group and Blok M Square initiated by Agung Podomoro Group were the two shopping centers that were introduced, both comprising a total retail space of around 83,000 sq m. Total retail space in Jakarta accounted for 3.46 million sq m of which around 496,708 sq m of retail space only entered in 2008, historically the second highest annual supply since 2005. Jakarta is still perceived as an interesting market for retailers highlighted by the progress of under-construction shopping centers which will come to the market in

the near future like Seasons City, Pulomas Place, Koja Trade Mall and Emporium Pluit. Supply projection in 2009 is quite optimistic with retail space of around 465,000 sq m in the pipeline. Besides the shopping centers mentioned above, other centers projected to come on-stream in 2009 include the extension of Plaza Indonesia, Gajah Mada Square and Citiwalk at Gajah Mada. Meanwhile, Agung Podomoro Group as the owner of Central Park compound in Jalan Letjen S. Parman announced that the shopping mall will be ready by the end of this year. Yet, not all the under-construction shopping centers will arrive on schedule. Again, the current financial crisis has also impacted on some commercial compounds under construction. Kota Kasablanka and the shopping mall at Gandaria have put their construction progress on hold. Other new projects in the CBD area were monitored to continue with progress but at a slower pace.

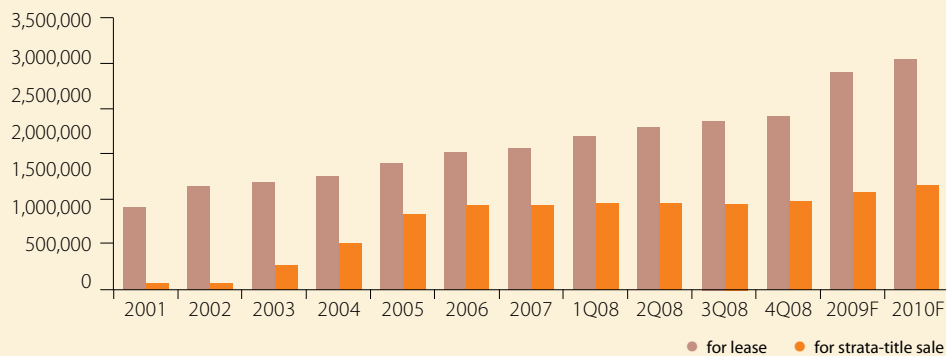
1 3Q08.  
2 January - December 2008.  
3 December 2008.



Cafe Walk at Plaza Semanggi.

Other future projects in the DeBoTaBek area include Tangerang City with sizeable space of around 50,000 sq m; Mall Harapan Indah and Alam Sutera Mall.

### Cumulative Retail Supply In Jakarta



Source: Colliers International Indonesia - Research Department.

In the greater Jakarta areas which comprise Depok, Bogor, Tangerang and Bekasi (DeBoTaBek), City Mal Tangerang has been partially operated at the end of December with the opening of Giant as its anchor tenant. Meanwhile, Taman Topi Square, or abbreviated as Tatos, in Bogor has yet to operate even though, as monitored in the field, the construction has been completed. Thus, with the influx of those two shopping centers, the greater Jakarta area received additional retail space which accumulated to around 1.72 million sq m.

Other future projects in the DeBoTaBek area include Tangerang City with sizeable space of around 50,000 sq m; Mall Harapan Indah and Alam Sutera Mall. These three projects would contribute around 154,420 sq m of retail space in 2009 and 2010. Tangerang City will prioritize the shophouse development before starting with the shopping center. Both Mall Harapan Indah and Alam Sutera Mall are scheduled to operate in 2010.

# MARKET REPORT (cont'd)

## List Of Under Construction Retail Centers

<b>In Jakarta</b>			
<b>Retail Name</b>	<b>Location</b>	<b>Marketing Scheme</b>	<b>Expected Completion</b>
Seasons City	Latumenten	for Strata-title Sale	2009
Pulomas Place	Pulomas	for Lease	2009
Koja Trade Mall	Koja	for Strata-title Sale	2009
City Walk at Gajah Mada	Gajah Mada	for Lease	2009
Pusat Grosir Senen Jaya	Senen	for Strata-title Sale	2009
Rasuna Epicentrum (Emperium Walk)	Rasuna Said	for Lease	2009
Central Park Mall	S. Parman	for Lease	2009
Plaza Indonesia (extension)	MH Thamrin	for Lease	2009
Grand Paragon (Gajah Mada Square)	Gajah Mada	for Lease	2009
Kuningan City	Satrio	for Lease	2010
Kota Kasablanka	Kasablanka	for Lease	2010
Shopping Mall Gandaria	Gandaria	for Lease	2010
Kernang Village	Kemang	for Lease	2010
MT Haryono Square	Otista	for Strata-title Sale	2010
Ciputra World	Satrio	for Lease	2010
		<b>Total Space</b>	<b>747,643 sq m</b>
Teraskota	Tangerang	for Lease	2010
Mall Harapan Indah	Bekasi	for Lease	2010
Tangerang City	Tangerang	for Strata-title Sale	2010
Alam Sutera Mall	Tangerang	for Lease	2010
		<b>Total Space</b>	<b>191,660 sq m</b>

Source: Colliers International Indonesia - Research Department.

## Demand

Quite a few retailers reported that there was a tendency of declining sales when compared to the same period last year. Retailers are more cautious with relatively weakening purchasing power following the current economic downturn. Despite negative sentiment on the current economic situation, premium class brands are relatively stable, in particular those with steady customers. Marks & Spencer, a British-based fashion retailer, came to Plaza Indonesia while Harvey Nicholls entered Grand Indonesia. Plaza Indonesia with the extension space of around 35,000 sq m has reported a high commitment level by various tenants. For some years, premium malls which have been the shopping destinations of loyal and willing-to-spend shoppers enjoy high occupancy and premium rental rates. On the other hand, middle to upper class retailers prefer to opt for the operating malls with loyal shoppers to assure their market.

Newly operated shopping centers still rely on hypermarkets as the anchor tenant. Pejaten Village secured Hypermart which is still their own group, while Blok M Square is flanked by Carrefour as the anchor. Other main tenants within the two malls include Matahari as the second anchor for Pejaten Village. Matahari was also present in the shopping centers like in Pluit Village (previously known as Megamall Pluit) which was taken over by Lippo Group. In the Pluit Village, Matahari introduced a new concept whereby they combined entertainment/life music concept within the store. Besides, the corridors were designed to be bigger than other Matahari outlets to facilitate the visitors. Apart from Carrefour as the anchor, Blok M Square has secured tenants like Ramayana, Bread Talk, Solaria and Hoka Hoka Bento

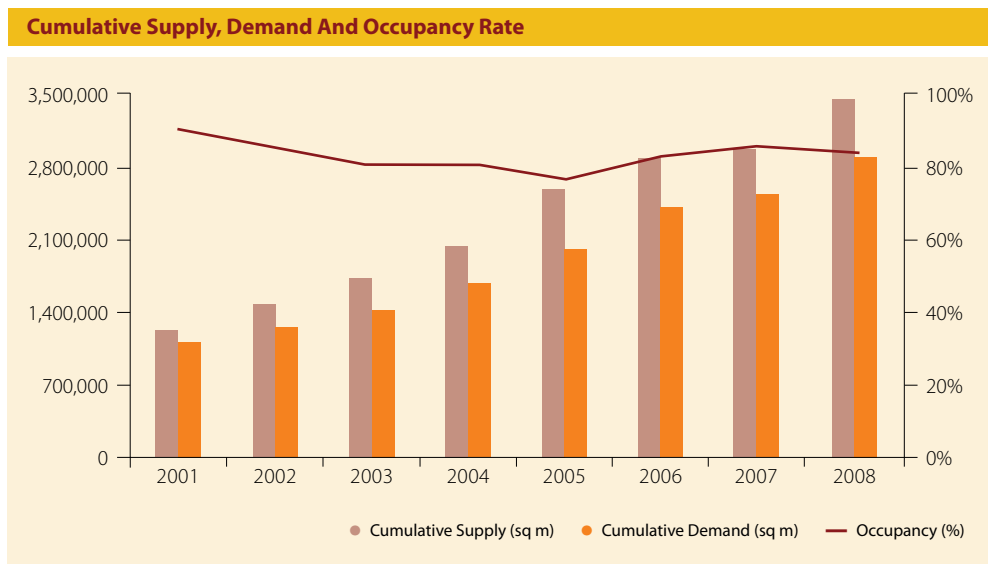
On a positive note, despite the weaker market sentiments, some retailers are still eyeing Indonesia as a potential market. South Korea's Lotte Group officially acquired wholesaler Makro, a Netherlands-based retailer which has 19 stores in Indonesia, in acquisition worth US\$223 million. Other than that, US-based convenience store, 7-Eleven announced its tie-up with Modern Group to enter the market. It is also reported that Lion Superindo, owned by Salim Group, plans to open eight more stores in

2009. Carrefour has been reported to expand with four stores in 2009 itself. Further to that, Indonesia with a population of more than 200 million is still perceived as a lucrative market by Tesco, a UK-based hypermarket which plans to open outlets in Indonesia between 2010-2011.

The overall occupancy rate in Jakarta was relatively stable in this quarter, standing at 88.14%. The overall incoming and outgoing tenants were quite balanced, even with the opening of two new shopping centers this quarter. Throughout 2008, the occupancy rate hovered at around 88%. Most vacant space generally came from strata-title retail centers (trade centers). In the greater Jakarta area the occupancy rate eased slightly to 83.29%.

Despite showing signs of being able to withstand the economic storm, there are likely some victims within this tough time like high-end branded retailers whose expensive goods will go stale on the shelf. We anticipate a decline in branded sales in 2009. Singapore which has been a mature retail market, for the first ten months of the year had reported that retail sales had also grown at a significantly slower pace of 2.3% YoY compared to the 8.4% growth recorded during the corresponding period in 2007 (according to a research done by Colliers International Singapore).

# MARKET REPORT (cont'd)



Source: Colliers International Indonesia - Research Department.

## Asking Rental Rates And Service Charges

### Asking Rental Rates

On average, the rental rates in the quarter dropped by 5 to 6% but this is mostly not because of adjustments made by landlords. Average asking rental rates was down from Rp354,253/sq m/month to Rp338,150/sq m/month in 4Q08. The discrepancy in QoQ rental rates was mostly due to the availability of retail spaces, for example spaces available in the previous quarter were largely of higher rates while spaces available within this quarter were of lower rates. Many developers are now taking the position of not increasing the rental rates amid the slowing business environment and tight market competition. The measure of lowering the rental rates will depend a lot on the level of vacant space.

Shopping malls of premium class maintained the same asking price as in the previous quarter. Only three malls i.e. Plaza Indonesia, Plaza Senayan and eX Plaza offered US\$ rates. Other centers may have offered US\$ rate but pegged at lower than the current rate. The average pegged rates within the quarter slightly increased to Rp7,176/US\$ from Rp7,140/US\$ after an upward adjustment made by La Piazza by Rp250 and Daan Mogot Mall by Rp500.

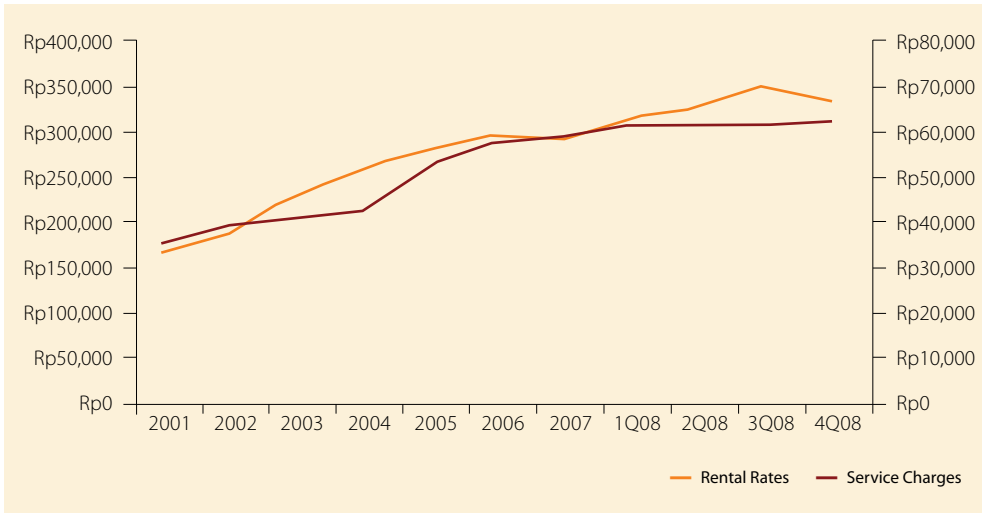
In the DeBoTaBek area, a minor downward adjustment of 5% was recorded for the average asking rental rates which stood at Rp259,174/sq m/month. Again the lowering rate is mostly due to the availability of space with lower rates as compared to the previous quarter. None of the shopping centers quoting US\$ rates within this area used the current exchange rates, instead, the average pegged rate for this area maintained at Rp6,938/US\$.

### Service Charges

There was negligible adjustment in the service charge for the quarter and this maintained the average service charge cost at Rp62,685/sq m/month. During the quarter we only recorded an upward adjustment of around 30% by three shopping centers like Tendea Plaza, Ratu Plaza and ITC Cempaka Mas. Other shopping centers like Mall Kelapa Gading, La Piazza, Citraland Mall and Daan Mogot Mall revised the pegged rates which corrected the overall service charge cost.

There was no revision in the service charge in the greater Jakarta area. This quarter, the average service charge cost maintained relatively stable at Rp52,656/sq m/month.

### Rental Rates And Service Charges In Jakarta



Source: Colliers International Indonesia - Research Department.

### Outlook

Confidence in the retail sector will remain particularly when considering the huge potential market from this country with a population of more than 200 million. But again, the global economic downturn may alter the consumer character from eager to economical. Shopping center operators, particularly newly operated centers should not only focus on luring the crowd but also help their tenants survive during the difficult time.

As the global financial crisis deepens and options for retail space grow quite significantly, retailers generally have more control to negotiate with landlords. Landlords will anticipate being more flexible on negotiating rental rates due to tight competition. On the maintenance cost front, landlords are also likely to hold over rises in service charges particularly after the Government decision to lower the fuel price. Giving incentives to retailers will be a common practice of mall operators as not to let space be vacant. On the retailers' side, cutting cost to achieve efficiency will be conducted to survive during the current pressure on the economy.

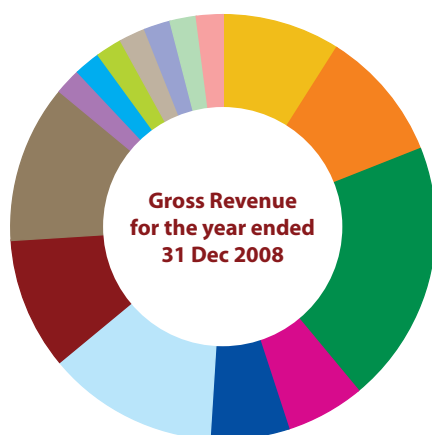
Source: Colliers' Quarterly Research Report | The Knowledge Report | February 2009.

# FINANCIAL REVIEW

## Revenue

Gross revenue for the year-to-date 2008<sup>1</sup> was S\$101.8 million, which was S\$7.6 million or 8% above the forecast for the same period. This was mainly due to

the contribution from the Sun Plaza property which was acquired on March 31, 2008. The Sun Plaza property contributed 12% of gross revenue for the period from March 31, 2008 to December 31, 2008.

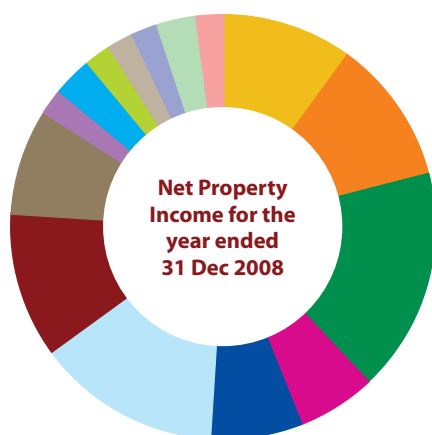


Gajah Mada Plaza	9%
Cibubur Junction	10%
The Plaza Semanggi	20%
Mal Lippo Cikarang	6%
Ekalokasari Plaza	6%
Bandung Indah Plaza	13%
Istana Plaza	10%
Sun Plaza	12%
Mall WTC Matahari Units	2%
Metropolis Town Square Units	2%
Depok Town Square Units	2%
Java Supermall Units	2%
Malang Town Square Units	2%
Plaza Madiun	2%
Grand Palladium Medan Units	2%

## Net Property Income

Net property income for the year-to-date 2008 was S\$88.3 million, same as forecast in spite of the higher

revenue. This was mainly due to higher operating expenses, arising from the S\$7 million impairment charge on the outstanding account receivables.



Gajah Mada Plaza	10%
Cibubur Junction	11%
The Plaza Semanggi	17%
Mal Lippo Cikarang	6%
Ekalokasari Plaza	7%
Bandung Indah Plaza	14%
Istana Plaza	11%
Sun Plaza	8%
Mall WTC Matahari Units	2%
Metropolis Town Square Units	3%
Depok Town Square Units	2%
Java Supermall Units	2%
Malang Town Square Units	2%
Plaza Madiun	3%
Grand Palladium Medan Units	2%

<sup>1</sup> FY 2008 includes private trust period from 8 August 2007 to 18 November 2007 and public trust from 19 November 2007 ("Listing Date") to 31 December 2008.

## Distributions

Distributable income for the year-to-date 2008 was S\$59.5 million, which was S\$9.4 million, or 14% below the forecast. This was mainly due to the lower net property income, and the write-off of arrangement fee of S\$2.8 million and the corresponding legal fee of S\$0.5 million. As at 31 Dec 2008, LMIR Trust has paid the arrangement fee of S\$2.8 million and the corresponding legal fee of S\$0.5 million for the syndication of S\$225 million loan in 2009. As LMIR Trust will focus on organic growth in 2009 and asset acquisitions are unlikely, the S\$225 million loan will not be syndicated. Consequently, the arrangement fee and corresponding legal fee were written off.

For year-to-date 2008, LMIR Trust made distributions of 5.60 cents per unit, which comprised 2.20 cent, 1.50 cent, 1.60 cents, and 0.30 cent for the periods

November 19, 2007 to March 31, 2008, April 1, 2008 to June 30, 2008, July 1, 2008 to September 30, 2008 and October 1, 2008 to December 31, 2008 respectively.

### Distribution Per Unit

- 1 October 2008 to 31 December 2008
- 1 July 2008 to 30 September 2008
- 1 April 2008 to 30 June 2008
- 19 November 2007 to 31 March 2008

	<b>0.30</b>
	<b>1.60</b>
	<b>1.50</b>
	<b>2.20</b>

## Assets

The total assets as at December 31, 2008 for LMIR Trust were S\$1,007.8 million.

### Balance Sheet as at December 31, 2008 (\$'000)

Non current assets	882,438
Current assets	125,317
<b>Total Assets</b>	<b>1,007,755</b>

Property	Valuation as at 30 Nov 2008 <sup>1</sup> (S\$)
Gajah Mada Plaza	79,345,121
Cibubur Junction	60,704,656
The Plaza Semanggi	136,485,015
Mal Lippo Cikarang	51,539,977
Ekalokasari Plaza	37,488,334
Bandung Indah Plaza	87,330,188
Istana Plaza	89,533,859
Sun Plaza	140,373,846
Mall WTC Matahari Units	18,925,646
Metropolis Town Square Units	25,121,850
Depok Town Square Units	19,301,566
Java Supermall Units	19,651,561
Malang Town Square Units	19,275,640
Plaza Madiun	25,264,441
Grand Palladium Medan Units	19,625,634
<b>Total</b>	<b>829,967,334</b>

Values are based on the exchange rate of Rp 7,714.4 for every Singapore Dollar.

<sup>1</sup> Valuation from Knight Frank as at 30 November 2008.

# CAPITAL MANAGEMENT

## A prudent capital management strategy

The Manager pursues a prudent capital management strategy through adopting and maintaining an appropriate gearing level and using an active currency and interest rate management policy.

This strategy will:

- Optimise unitholder's returns;
- Provide stable returns to unitholders;
- Maintain flexibility for working and capital requirements; and
- Retain flexibility in the funding of future acquisitions.

## Debt highlights as at 31 December 2008

Loan	\$ 125 M
<b>Total debt</b>	<b>\$ 125 M</b>
Gearing ratio <sup>1</sup>	12.4%
Fixed rate debt	100%
Weighted average interest rate	6.42% p.a.

<sup>1</sup> Based on deposited property as defined in trust deed.

## 100% of loan at fixed interest rate

In March 2008, LMIR Trust drew down a S\$125 million 5 year loan for the acquisition of the Sun Plaza property.

This loan was fully hedged for the interest rate risk for 3 year through entering into an interest rate swap, which fixed the all-in annual cost of debt at 6.42%. Fixing interest rate helps to protect overall earnings from short term volatility in interest rates. The Manager will continue to work towards delivering stable and growing returns through sourcing attractively priced capital and adopting appropriate hedging strategies.

## Low gearing level provides stability in current tight credit market

Under the Property Fund Guidelines, a REIT is generally permitted to borrow up to 35.0% of the value of its Deposited Property (or up to a maximum of 60.0% if a credit rating is obtained and disclosed to the public).

LMIR Trust gearing as at 31 December 2008 is 12.4%, way below the permitted 35%. As for now LMIR Trust does not intend to make any acquisition. Should LMIR Trust intend to make any acquisition, LMIR Trust will have substantial ability to incur indebtedness to fund future acquisitions. Our current target gearing level is below 35% on a consolidated basis.

# RISK MANAGEMENT

## **Risk Management Framework**

The Manager has developed a comprehensive risk management framework that enables the Board and Audit committee ("AC") to review the risks arising from LMIR Trust's portfolio of assets from quarter to quarter on a consistent and systematic basis.

The framework quantifies key property-related risks such as occupancy and rental rates, credit-related risks and financial market risks, including counterparty risks, foreign currency exposure and interest rate volatility. Tenant and industry concentration risks are also monitored as part of the risk framework.

The risk framework is supplemented by comprehensive and robust internal processes and procedures that are formalized in the Manager Organizational and Reporting Structures, Standard Operating Procedures and Delegation of Authority guidelines. These cover significant strategic, operational and financial risks.

The overall risk framework is managed by the Manager who reports to the Board and AC on a quarterly basis.

The internal audit function of the Manager will be outsourced to a third party. KPMG, who has been appointed, will plan its internal audit work in consultation with management, but works independently by submitting its plan to the AC for approval at the beginning of each year.

## **Risk Management Strategy**

Property, financial market, operational and strategic risks and other externalities such as regulatory changes, natural disasters and act of terrorism occur in the normal course of business. The Manager's risk management strategy enables us to better manage these risks as they arise.

The Manager's risk management strategy is aligned with its overall business objectives which aim to balance risks and returns in order to optimize LMIR Trust's portfolio values and returns.

Some of the key risks faced and how these are being monitored and managed are detailed below:

### **Operational Risk**

The Manager has established risk management strategy into the day-to-day activities across all functions. These include planning and control systems, operational guidelines, information technologies systems, reporting and monitoring procedures. The risk management system is regularly monitored and examined to ensure effectiveness.

The risk management framework is designed to ensure that operational risks are anticipated so that appropriate processes and procedures can be put in place to prevent, manage, and mitigate risks which may arise in the management and operation of LMIR Trust.

### **Investment Risk**

As LMIR Trust's growth is driven by acquisition of properties, the risk involved in such investment activities is managed through a rigorous set of investment criteria which includes accretion yield, growth potential and sustainability, location and specifications. The key financial projection assumptions and sensitivity analysis conducted on key variables are reviewed by the Board.

The potential risks associated with proposed projects and the issues that may prevent their smooth implementation or projected outcomes are identified at the evaluation stage. This enables us to determine actions that need to be taken to manage or mitigate risks as early as possible.

### **Interest Rate Risk**

With the current tight credit market, the Manager will adopt a proactive strategy to manage the risk associated with changes in interest rates on any future loan facilities while also seeking to ensure that LMIR Trust's ongoing cost of debt capital remains competitive. As at 31 December 2008, 100% of LMIR Trust borrowings had been locked into fixed interest rate, through entering into interest rate swap which hedge the exposure to interest rate risks arising from the floating interest rate loan.

# RISK MANAGEMENT (cont'd)

## **Foreign Exchange Risk**

LMIR Trust will be subject to foreign exchange exposure due to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values from its investment in Indonesia. The value of the Indonesian Rupiah has been subject to fluctuations in the past and may be subject to fluctuation in the future. The Manager has a policy to undertake foreign exchange hedging of the expected distributions of LMIR Trust to insulate against movements in exchange rates (whether favourable or unfavourable). The Trustee, as trustee of LMIR Trust, has entered into foreign exchange hedges equivalent to 100% of LMIR Trust's estimated distributions for a total term of five years, effective as of the Listing Date, and thereafter will continuously hedge on a rolling basis so as to provide a degree of certainty to Unitholders that changes in the exchange rate between the Indonesian Rupiah and the Singapore dollar will not have a significant impact on the distributions in Singapore to Unitholders.

## **Credit Risk**

Credit risk is the potential earnings volatility caused by tenants' inability and/or unwillingness to fulfill their contractual lease obligations. To minimise the risk of tenant default on rental payment, the manager has put in place standard operating procedures for debt collection and recovery of debts. Other than the collection of security deposits, which amount to a minimum of three months rental in the form of cash or bankers guarantee, we also have a monitoring system and a set of procedures on debt collection.

## **Liquidity Risk**

The Manager actively monitors LMIR Trust's cash flow position so as to ensure sufficient liquid reserves terms of cash and credit facilities to meet short term obligations. In addition, the Manager also observes and monitors compliance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore to govern limits on total borrowings.



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- 1 Giordano is known as one of the leading brands in casual wear retailing.
- 2 Located in Plaza Semanggi, Balai Sarbini is a multifunction hall, which can accommodate up to 1,300 guests.
- 3 BreadTalk stores are well known for their creative store designs and unique savouries and buns.
- 4 Matahari is the leading and largest multi-format retailer in Indonesia.
- 5 Market Place Matahari offers wide variety of grocery shopping for consumers.

# OPERATION REVIEW

## Yield Accretive Acquisitions

On March 31, 2008 LMIR Trust acquired Sun Plaza, one of the best shopping centres in Medan, North Sumatra. At a purchase price of Rp980<sup>1</sup> billion (approximately S\$146.7million)<sup>2</sup>, the acquisition was LMIR Trust's first since its listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") in November 2007 and increased LMIR Trust's IPO total portfolio NLA by approximately 20%.

With a population of over two million, Medan is the third most populous city in Indonesia (after Jakarta and Surabaya) and capital city of the North Sumatran province. Sun Plaza is a six-level retail mall strategically located in Medan's commercial district, surrounded by prominent landmarks as well as government and business offices, including the governor's office, embassies and major banks, with convenient accessibility from all parts of Medan city. The acquisition of Sun Plaza has increased LMIR Trust's presence in Medan, adding to the Matahari retail space which it owns in Grand Palladium.

Built on a land area of 29,419 sqm, with a gross floor area of approximately 73,871 sqm and net lettable area ("NLA") of 63,200 sqm, Sun Plaza was valued at Rp1.1 trillion by independent valuer Knight Frank/ PT Wilson Properti Advisindo in November 2008.

The acquisition was funded 20% with internal cash resources and 80% with debt, drawing down from a S\$125 million term loan facility at an all-in cost of 6.42% p.a.

The land on which the Property is built is held under Indonesian Hak Guna Bangunan (Right to Build) title which is valid until November 24, 2032. The HGB Title is the highest title that can be obtained by a company incorporated or located in Indonesia. A HGB title is granted for a maximum initial term of 30 years and may be extended for an additional term not exceeding 20 years. Following expiration of the additional term, a renewal application for the title may be made.

## Key Asset Enhancement Initiatives

Asset enhancement initiatives (AEI) were a key focus for the portfolio during the period under review. The following is an update on some of the AEI undertaken at LMIR Trust's properties.

At Ekalokasari Plaza in Bogor, asset enhancement works increased NLA by 5,013 sqm to 25,600 sqm through a newly created area that includes cinema, food court, and gymnasium, and achieved a 93.7% occupancy rate as at December 31, 2008.

<sup>1</sup> Based on the exchange rate of S\$1.00 = RP . 6,682 as at 31 March 2008.

<sup>2</sup> Purchase price of Singapore Companies which own the Indonesian Company which wholly own the Sun Plaza.



Ekalokasari Plaza.



Household shopping at our hypermart.

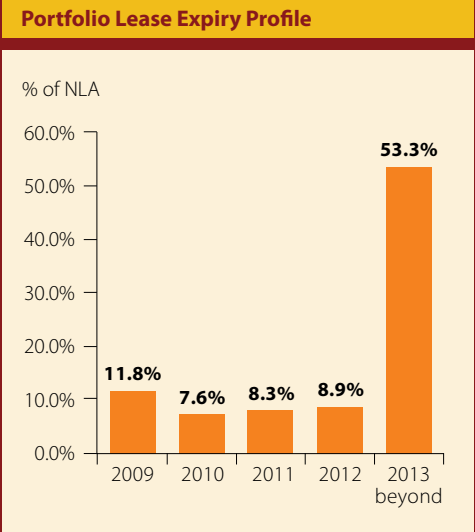
The year also witnessed the opening of Plangi Sky Dining at The Plaza Semanggi, which increased NLA by 3,000 sqm to 61,685 sqm in February 2008. Plangi Sky Dining is an open air concept specialty food and beverage area on the 10th floor which has become a landmark dining destination in South Jakarta, offering a wide variety of cafeteria-style outlets. The mall reached 93.6% occupancy rate as at December 31, 2008.

At Istana Plaza in West Java, plans to convert an existing ice skating rink into new cafeterias and restaurants and an expanded food court are proceeding where 653 sqm of NLA will be converted from the 950 sqm proposed area at estimated costs of S\$434,000. Target ROI from this asset enhancement is expected to be above 30% (net of loss income), The mall has a 99.5% occupancy rate as at December 31, 2008.

**Portfolio Lease Expiry Profile**

The average lease term of LMIR Trust’s tenants is line with the industry average, with specialty tenants typically on a three-to-five-year average lease term and anchor tenants on a 10-year average lease term. Over 30% of the tenants’ leases are long-term, extending to 2013 and beyond. The largest number of leases due for renewals will be in 2013.

LMIR Trust’s tenants typically pay an advance rental of approximately 10% to 20% of the total rent payable for the duration of the lease upon signing of a lease agreement. This advance rental payment helps to minimise LMIR Trust’s cash flow volatility due to potential rental arrears.



Plangi sky dining.

*Plangi Sky Dining is an open air concept specialty food and beverage area on the 10th floor which has become a landmark dining destination in South Jakarta, offering a wide variety of cafeteria-style outlets.*

# OPERATION REVIEW (cont'd)

Weighted Average Occupancy				
No.	Malls	Actual Dec 07 (%)	Actual Dec 08 (%)	Prospectus forecast Dec 08 (%)
1	Bandung Indah Plaza	85.3	97.9	91.9
2	Cibubur Junction	93.8	96.7	98.6
3	Ekalokasari Plaza	78.0	93.7	91.4
4	Gajah Mada Plaza	94.5	96.1	95.9
5	Istana Plaza	99.4	99.5	99.4
6	Mal Lippo Cikarang	96.1	93.6	98.5
7	The Plaza Semanggi	96.8	93.6	98.4
8	Sun Plaza	-	96.2	93.5
	<b>LMIR Trust Average</b>	<b>92.8</b>	<b>95.7</b>	<b>96.7</b>
	<b>Industry Average</b>		<b>84.6%*</b>	

\* Cushman & Wakefield, Indonesia Q3 Market Review.

Average occupancy of LMIR Trust's malls increased from 92.8% as at December 31, 2007 to 95.7% as at December 31, 2008, significantly higher compared to industry average of 84.6%. The high average occupancy combined with its long lease expiry profile ensures stability of income for LMIR Trust.

### Portfolio Income and Trade Sector Analysis

The retail malls has well-balanced tenant diversification with no particular trade sector accounting for more than 17% of LMIR Trust's total NLA, as well as wide property diversification with no

single property accounting for more than 21% of LMIR Trust's total net property income,

Top tenants include well-known international and domestic retailers and brandnames, such as Matahari Department Store, Hypermart, Giant Hypermarket, Gramedia bookstore, Starbucks, Giordano, Fitness First, Sports Station and Studio 21 Cinema.

Department stores were the largest contributor to Net Property Income and occupied the most space at 17.0% of NLA. Supermarkets and hypermarkets were the second largest contributor to Net Property Income and occupied 14.0% of the total portfolio NLA. This indicates that the key sources of income for the retail malls are from tenants in non-cyclical businesses which draw "everyday" middle-income shoppers and are less vulnerable to the economic slowdown.

### Tenant Remixing To Enhance Rental Income

In order to increase shopper traffic, the Manager continually undertakes active tenant remixing and seeking to place both locally and internationally-renowned "favourite" specialty brands to enhance its properties' appeal as "everyday" one-stop destination malls for both discretionary and non-discretionary consumer spending. In FY2008, the Manager experienced upward rental reversions within its projections.



ThaiExpress Restaurant at Istana Plaza.



Gajah Mada Plaza's entrance.

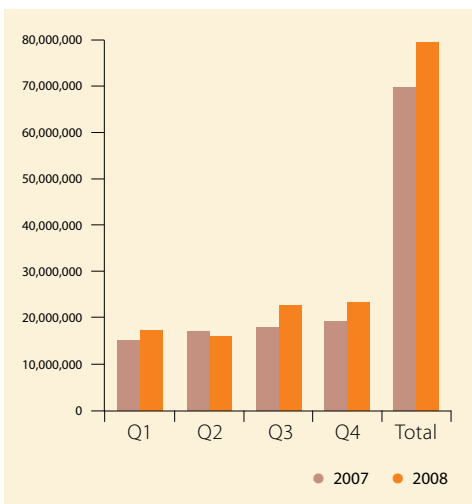


Hypermart as convenient destination for grocery shopping.

New NLA space was created in FY2008 via asset enhancement initiatives or re-allocation of expired leases, to trades which are non-cyclical in nature and will draw "everyday" middle-income shoppers, such as supermarkets and hypermarkets, and food courts.

LMIR Trust's asset enhancement initiatives and tenant re-mixing resulted in steadily increasing shopper traffic across the portfolio. The number of shoppers increased from 69.9 million in 2007 to 79.9 million in 2008.

**Portfolio Visitor Traffic (2007 - 2008)**



Department Store	17%
Supermarket / Hypermarket	14%
Electronic / IT	3%
Services	6%
Fashion	13%
Other	0%
Gifts & Specialty	1%
Optic	1%
Books & Stationary	3%
Sports & Fitness	3%
Jewelry	9%
Hobbies	1%
Toys	0%
F & B / Food Court	9%
Education / School	1%
Leisure & Entertainment	12%
Home Furnishing	5%

# INVESTOR RELATIONS & COMMUNICATIONS

LMIR Trust believes in and practices clear, transparent and consistent investor relations and communications practices to disclose pertinent information relevant to all stakeholders. For each quarterly results announcement, LMIR Trust prepares investor relations packs comprising news releases, and presentation slides highlighting material information on its financial results, portfolio and asset performance, market updates and relevant property sector reports. As and when there are significant corporate developments, such as management changes and changes in shareholding structure, the announcements are released with immediate effect via SGX-ST in a timely manner. All announcements are also made available on LMIR Trust's website.

Regular one-on-one meetings are held with analysts and institutional investors upon the release of LMIR Trust's quarterly results and/or the release of announcements pertaining to material corporate developments. At these meetings, the management team will be present to address any query or concern regarding these announcements. In addition, upon request, conducted tours of LMIR Trust's properties can be arranged for key institutional investors to give them a first-hand view of LMIR Trust's high quality portfolio of properties.

This annual report marks LMIR Trust's first official publication of its maiden full-year financial year results after its initial public offering on the SGX. Going forward, LMIR Trust strives to proactively enhance its disclosure standards that will ensure clear and consistent communication to all stakeholders and the investing public.

## Financial Calendar

	2008	2009 (Tentative)
Interim Period Results Announcement	April 2008	April 2009
Interim Period Distribution to Unitholders	May 2008	May 2009
Second Quarter Results Announcement	July 2008	July 2009
Second Quarter Distribution to Unitholders	August 2008	August 2009
Third Quarter Results Announcement	October 2008	October 2009
Third Quarter Distribution to Unitholders	November 2008	November 2009
Full Year Results Announcement	January 2009	January 2010
Final Distribution to Unitholders	February 2009	February 2010

## UNITHOLDER ENQUIRIES

For more information on Lippo Mapletree Indonesia Retail Trust and its operations, please contact:

### Lippo Mapletree Indonesia Retail Trust Management Ltd

78 Shenton Way  
#05-01  
Singapore 079120  
Tel : +65 6410 9138  
Fax : +65 6220 6557  
Email : [ir@lmir-trust.com](mailto:ir@lmir-trust.com)  
Website : <http://www.lmir-trust.com>

### Unitholder Depository

For depository-related matters such as change of details pertaining to Unitholder's investment records, please contact:

Boardroom Corporate & Advisor Services Pte Ltd  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483

# CORPORATE GOVERNANCE

## **CORPORATE GOVERNANCE**

Lippo-Mapletree Indonesia Retail Trust Management Ltd, (the “Manager”) of Lippo-Mapletree Indonesia Retail Trust (LMIR Trust) is committed to good corporate governance as it believes that such self-regulatory are essential to protect the interest of the Unitholders, as well as critical to the performance of the Manager.

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

## **THE MANAGER OF LMIR TRUST**

The Manager has general powers of the management over the assets of LMIR Trust.

The Manager’s main responsibility is to manage LMIR Trust’s assets and liabilities for the benefit of Unitholders. The Manager’s key financial objectives is to provide Unitholders of LMIR Trust with a competitive rate of return for their investment by ensuring regular and stable distributions to Unitholders and to achieve long-term growth in net asset value of LMIR Trust.

The primary role of the Manager is to set strategic direction and risk management of LMIR Trust and give recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of LMIR Trust (the “Trustee”), on the acquisition, divestment and enhancement of assets of LMIR Trust in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager include:

- Using its best endeavors to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or on behalf of, LMIR Trust at arm’s length.
- Preparing property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover and any other relevant assumptions. The purpose of these plans is to explain the performance of LMIR Trust’s assets.
- Ensuring compliance with the applicable provision of the Securities and Futures Act, Chapter 289 of Singapore and all other relevant legislation, the Listing Manual issued by SGX-ST, the Code on Collective Investment Schemes issued by Monetary Authority of Singapore (“MAS”), including the Property Funds Guidelines, the Trust Deed, the tax ruling dated 27 August 2007 issued by Inland Revenue Authority of Singapore and all relevant contracts.
- Attending to all regular communications with Unitholders.

LMIR Trust, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management to handle the day-to-day operations of the Manager. All directors and employees of the Manager are remunerated by the Manager, not LMIR Trust.

## **BOARD OF DIRECTORS OF THE MANAGER**

### **Role of the Board**

The Board of Directors of the Manager (the “Board”) is entrusted with the responsibility of overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of Directors.

# CORPORATE GOVERNANCE (cont'd)

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

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

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

Nine Board meetings were held during the financial period 2008.

## **Board Composition and Balance**

The Board presently consists of seven Directors, of whom three are Non-Executive Independent Directors. The Chairman of the Board is Mr Tan Bar Tien. The Chief Executive Officer is Ms Viven Gouw Sitiabudi. The other members of the Board are Mr Lim Ho Seng, Mr Lok Vi Ming, Mr Yeo Cheow Tong, Mr Tan Boon Leong and Mr Wong Mun Hoong.

The Board comprises business leaders and professionals with fund management, property, banking and finance backgrounds. The Board considers the present Board size appropriate for the nature and scope of LMIR Trust's operations. The profiles of the Directors are set out on pages 10 and 11 of this Annual Report.

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

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

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons. The Chairman, Mr Tan Bar Tien is an Independent Director while the Chief Executive Officer, Ms Viven Gouw Sitiabudi is an Executive Director. This is so to maintain an effective oversight and clear segregation of responsibilities.

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

# CORPORATE GOVERNANCE (cont'd)

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

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

## **AUDIT COMMITTEE**

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

Presently, the Audit Committee consists of the following:

Mr Lim Ho Seng (Chairman)	(Non-executive and Independent)
Mr Tan Bar Tien	(Non-executive and Independent)
Mr Lok Vi Ming	(Non-executive and Independent)

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

The Audit Committee's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "Related Party Transactions");
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing with LMIR Trust;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- nominating external auditors;
- reviewing the nature and extent of non-audit services performed by the external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors without presence of the Executive Officers at least on an annual basis;
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and the internal audit report;
- investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

# CORPORATE GOVERNANCE (cont'd)

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

The Board of Directors has accepted Audit Committee's recommendation to outsource the Manager's Internal Audit functions. The Audit Committee had also conducted a review of all non-audit services provided by the external auditors and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The amount paid to external auditors as reporting accountants amounted to S\$900,000, in connection with the listing exercise. The Audit Committee recommends to the Board of Directors, the nomination of the external auditors for re-appointment. Three Audit Committee meetings were held during the financial year 2008. The attendance at the Audit Committee meetings held is set out in page 51.

## **INTERNAL AUDIT**

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

The internal audit function of the Manager is out-sourced to KPMG LLP. The internal auditors report directly to the Audit Committee. The Audit Committee is of the view that the internal auditor has adequate resources to perform its functions.

## **DEALINGS IN LMIR TRUST UNITS**

The Board has adopted an internal compliance code of conduct to provide guidance to its officers dealing in LMIR Trust's units ("Units"). Directors are required to give notice to the Manager of his acquisition of units or changes in the number of units he holds or in which he has an interest, within two Business Days after such acquisition or occurrence.

In general, the Manager's policy encourages directors and employees of the Manager to hold Units but prohibits them from dealing in such Units:

1. during the period commencing one month before the public announcement of LMIR Trust's annual, semi-annual results and (where applicable) property valuation and two weeks before the public announcement of LMIR Trust's quarterly results, and ending on the date of announcement of the relevant results or property valuation; and
2. at any time whilst in possession of price sensitive information.

The Directors and employees of the Managers are also prohibited from communicating price sensitive information to any person.

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

## **MANAGEMENT OF BUSINESS RISK**

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

# CORPORATE GOVERNANCE (cont'd)

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

## **DEALING WITH CONFLICT OF INTEREST**

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

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as LMIR Trust;
- All executive officers will be employed by the Manager;
- All resolutions in writing of the Directors in relation to matters concerning LMIR Trust must be approved by a majority of the Directors, including at least one Independent Director;
- At least one-third of the Board shall comprise Independent Directors; and
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Sponsor and/or its subsidiaries.
- In respect of matters in which the Mapletree Investments Pte Ltd and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Mapletree Investments Pte Ltd and/or its subsidiaries to the Board to represent its/their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Mapletree Investments Pte Ltd and/or its subsidiaries.

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

## **WHISTLE BLOWING POLICY**

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

# CORPORATE GOVERNANCE (cont'd)

## **RELATED PARTY TRANSACTIONS**

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

In addition, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000.00 in value but below 3.0% of the value of LMIR Trust's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of LMIR Trust's net tangible assets will be subject to review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of LMIR Trust's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transactions from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

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

## **Role of the Audit Committee for Related Party Transactions**

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

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

# CORPORATE GOVERNANCE (cont'd)

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

The Manager will disclose in LMIR Trust's annual report the aggregate value of Related Party Transactions entered into during the relevant financial year.

## COMMUNICATION WITH UNITHOLDERS

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

The Manager's disclosure policy requires timely and full disclosure of all material information relating to LMIR Trust by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on LMIR Trust's website at [www.lmir-trust.com](http://www.lmir-trust.com)

## BOARD COMPOSITION AND AUDIT COMMITTEE

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

The matrix of the Board members and Audit Committee members attendance at meetings held in the year 2008 is as follows:

	Board Meetings	Audit Committee Meetings
Name of Directors/Audit Committee Members	Attendance/No. of meetings held	Attendance/No. of meetings held
Mr Tan Bar Tien <sup>1</sup>	9/9	3/3
Mr Lim Ho Seng <sup>1</sup>	7/9	3/3
Mr Lok Vi Ming <sup>2</sup>	7/9	3/3
Ms Viven Gouw Sitiabudi <sup>2</sup>	9/9	
Mr Yeo Cheow Tong <sup>2</sup>	9/9	
Mr Tan Boon Leong <sup>2</sup>	9/9	
Mr Wong Mun Hoong <sup>2</sup>	9/9	

### Notes:

1. Appointed on 3 May 2007.
2. Appointed on 15 June 2007.

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# REPORT OF THE TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Lippo-Mapletree Indonesia Retail Trust (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of the units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Cap. 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes (the "CIS Code") and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Lippo-Mapletree Indonesia Retail Trust Management Ltd (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 8 August 2007 between the Trustee and the Manager (the "Trust Deed") in each annual accounting period and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations, Singapore Financial Reporting Standards as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the financial year covered by the accompanying financial statements, set out on pages 56 to 103 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

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

**Johannes Van Verre**  
Director

Singapore  
25 March 2009

# STATEMENT BY THE MANAGER

In the opinion of the directors of Lippo-Mapletree Indonesia Retail Trust Management Ltd, the accompanying financial statements of Lippo-Mapletree Indonesia Retail Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 56 to 103 comprising the statements of total return, statements of distribution, balance sheets, statements of changes in unitholders' funds of the Group and Trust, statement of portfolio, and consolidated cash flow statement of the Group and summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust and portfolio of the Group as at 31 December 2008, the statements of total return, statements of distribution and statements of changes in unitholders' fund of the Group and Trust and statement of cash flow of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, the provisions of the Trust Deed and Singapore Financial Reporting Standards. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,  
Lippo-Mapletree Indonesia Retail Trust Management Ltd

**Viven G. Sitiabudi**

Director

Singapore  
25 March 2009

# INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Lippo-Mapletree Indonesia Retail Trust

We have audited the accompanying financial statements of Lippo-Mapletree Indonesia Retail Trust (the "Trust") and its subsidiaries (the "Group"), as set out on pages 56 to 103 which comprise the balance sheets of the Group and of the Trust and statement of portfolio of the Group as at 31 December 2008, the statements of total return, statements of distribution, statements of changes in unitholders' funds of the Group and the Trust, and consolidated statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Managers' Responsibility for the Financial Statements

Lippo-Mapletree Indonesia Retail Trust Management Ltd (the "Manager") of the Trust is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Trust Deed, Singapore Financial Reporting Standards and the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of total return and balance sheet and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## Independent Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Trust, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Trust Deed, Singapore Financial Reporting Standards and the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" so as to give a true and fair view of the state of affairs of the Group and the Trust as at 31 December 2008, and the returns, changes in unitholders' funds and cash flows of the Group and the Trust for the year ended on that date.

## RSM Chio Lim LLP

Public Accountants and Certified Public Accountants  
Singapore

25 March 2009

Partner in charge of audit: Paul Lee Seng Meng  
Effective from year ended 31 December 2008

# STATEMENTS OF TOTAL RETURN

Period from 8 August 2007 (Date of Constitution) to 31 December 2008

		<b>Group</b>	<b>Trust</b>
	Notes	Period from 8/8/2007 to 31/12/2008 \$'000	Period from 8/8/2007 to 31/12/2008 \$'000
<b>Gross Revenue</b>	4	101,761	56,853
Property Operating Expenses	5	(13,464)	–
<b>Net Property Income</b>		88,297	56,853
Interest Income		1,980	–
Other Credits	6	471	–
Manager's Management Fees	7	(6,988)	(6,988)
Trustee Fees		(287)	(287)
Finance Costs	8	(6,448)	(6,448)
Other Expenses	9	(3,932)	(3,916)
<b>Net Income</b>		73,093	39,214
Increase in Fair Value of Investment Properties	14	72,814	–
Impairment Loss on Investments in Subsidiaries	15	–	(113,702)
Realised Gain on Financial Derivatives		4,463	4,463
Change in Fair Value of Financial Derivatives	26	62,384	62,384
Realised Foreign Exchange Adjustment Losses		(3,792)	(3,791)
Unrealised Foreign Exchange Adjustment Losses		(956)	(201)
<b>Total Return/(Loss) for the Year Before Income Tax</b>		208,006	(11,633)
Income Tax for the Year	10	(39,877)	–
<b>Total Return/(Loss) for the Year After Income Tax</b>		168,129	(11,633)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings Per Unit In Cents</b>			
Basic and Diluted Earnings per Unit	11	15.83	NA
Adjusted Notional Basic and Diluted Earnings per Unit	11	11.04	NA

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

# STATEMENTS OF DISTRIBUTION

Period from 8 August 2007 (Date of Constitution) to 31 December 2008

	<b>Group</b>	<b>Trust</b>
	Period from 8/8/2007 to 31/12/2008 \$'000	Period from 8/8/2007 to 31/12/2008 \$'000
<b>Total Return/(Loss) for the Year after Income Tax</b>	168,129	(11,633)
Less: Net Adjustments (Note A below)	(108,637)	71,125
<b>Total Distribution to Unitholders</b>	59,492	59,492
<b>Distributions Made to Unitholders:</b>		
Distribution of 2.20 cents per unit for the period from 8 August 2007 to 31 March 2008	23,336	23,336
Distribution of 1.50 cents per unit for the period from 1 April 2008 to 30 June 2008	15,924	15,924
Distribution of 1.60 cents per unit for the period from 1 July 2008 to 30 September 2008	17,006	17,006
<b>Total Interim Distribution Paid in the Year Ended 31 December 2008</b>	56,266	56,266
Total Return Available for Distribution to Unitholders for the Quarter Ended 31 December 2008 Paid After the Year End Date (See Notes 12 and 32)	3,226	3,226
	59,492	59,492
<b>Unitholders' Distribution:</b>		
– As Distribution from Operations	42,418	42,418
– As Distribution of Unitholders' Capital Contribution	17,074	17,074
	59,492	59,492
<u>Note A</u>		
Net Adjustments:		
Change in Fair Value of Investment Properties, Net of Deferred Tax	(50,836)	–
Manager's Management Fees Settled in Units	3,532	3,532
Depreciation of Plant and Equipment	95	–
Unrealised Gain on Derivatives Financial Instruments	(62,384)	(62,384)
Unrealised Foreign Exchange Adjustment Losses	956	201
Impairment Losses on Investments in Subsidiaries	–	113,702
Capital Repayment of Shareholders' Loans	–	17,074
Other Adjustments	–	(1,000)
	(108,637)	71,125

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

# BALANCE SHEETS

As at 31 December 2008

		<b>Group</b>	<b>Trust</b>
	Notes	2008 \$'000	2008 \$'000
<b>ASSETS</b>			
<b><u>Non-Current Assets</u></b>			
Plant and Equipment	13	123	–
Investment Properties	14	829,967	–
Investments in Subsidiaries	15	–	817,107
Other Financial Assets, Non-Current	16	52,348	52,348
<b>Total Non-Current Assets</b>		<b>882,438</b>	<b>869,455</b>
<b><u>Current Assets</u></b>			
Trade and other receivables, Current	17	8,837	8,303
Other Financial Assets, Current	16	11,535	11,535
Other Assets, Current	18	10,490	37
Cash and Cash Equivalents	19	94,455	–
<b>Total Current Assets</b>		<b>125,317</b>	<b>19,875</b>
<b>Total Assets</b>		<b>1,007,755</b>	<b>889,330</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>			
<b><u>Unitholders' Fund</u></b>			
Issued Equity		816,407	816,407
Retained Earnings/(Accumulated Losses)		111,863	(67,899)
Currency Translation Reserve (Adverse)		(160,108)	–
<b>Total Unitholders' Funds</b>	20	<b>768,162</b>	<b>748,508</b>
<b><u>Non-Current Liabilities</u></b>			
Deferred Tax Liabilities	10	21,978	–
Other Financial Liabilities, Non-Current	22	120,347	119,468
Other Liabilities, Non-Current	23	75,083	–
<b>Total Non-Current Liabilities</b>		<b>217,408</b>	<b>119,468</b>
<b><u>Current Liabilities</u></b>			
Income Tax Payable, Current		5,654	–
Trade and Other Payables, Current	24	6,878	20,471
Other Financial Liabilities, Current	22	909	883
Other Liabilities, Current	25	8,744	–
<b>Total Current Liabilities</b>		<b>22,185</b>	<b>21,354</b>
<b>Total Liabilities</b>		<b>239,593</b>	<b>140,822</b>
<b>Total Unitholders' Funds and Liabilities</b>		<b>1,007,755</b>	<b>889,330</b>
		<b>Cents</b>	<b>Cents</b>
<b>Net Asset Value per Unit in Cents</b>			
Basic Net Asset Value	20	72.06	70.22
Adjusted Notional Basic Net Asset Value	20	67.29	70.22

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

# STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

Period from 8 August 2007 (Date of Constitution) to 31 December 2008

<b>Group</b>	<b>Issued Equity</b>	<b>Currency Translation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current Year:</b>				
Balance at Date of Constitution 8 August 2007	-	-	-	-
Items of Expense Recognised Directly in Equity:				
Exchange Differences on Translating Foreign Operations	-	(160,108)	-	(160,108)
Net Expenses Recognised Directly in Equity	-	(160,108)	-	(160,108)
Total Return for the Year	-	-	168,129	168,129
Total Recognised Income and Expenses for the Year	-	(160,108)	168,129	8,021
<b>Other Movements in Equity</b>				
Transactions with Unitholders:				
Initial Public Offering (Net of Issue Costs)	813,369	-	-	813,369
Manager's Management Fees Settled in Units	3,038	-	-	3,038
Distribution to Unitholders (Note 12)	-	-	(56,266)	(56,266)
Total Other Movements in Equity	816,407	-	(56,266)	760,141
<b>Closing Balance at 31 December 2008</b>	<b>816,407</b>	<b>(160,108)</b>	<b>111,863</b>	<b>768,162</b>
<b>Trust</b>				
	<b>Issued Equity</b>	<b>Currency Translation Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current Year:</b>				
Balance at Date of Constitution 8 August 2007	-	-	-	-
Total Loss for the Year	-	-	(11,633)	(11,633)
Total Recognised Expenses for the Year	-	-	(11,633)	(11,633)
<b>Other Movements in Equity</b>				
Transactions with Unitholders:				
Initial Public Offering (Net of Issue Costs)	813,369	-	-	813,369
Manager's Management Fees Settled in Units	3,038	-	-	3,038
Distribution to Unitholders (Note 12)	-	-	(56,266)	(56,266)
Total Other Movements in Equity	816,407	-	(56,266)	760,141
<b>Closing Balance at 31 December 2008</b>	<b>816,407</b>	<b>-</b>	<b>(67,899)</b>	<b>748,508</b>

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

# STATEMENT OF PORTFOLIO

As at 31 December 2008

## By Geographical Area Group

Description of Property/ Location/Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/ Last Valuation Date	31 December 2008	Percentage of Total Net Assets as at 31 December 2008
			\$'000	%
<b>Indonesia</b>				
<b>Retail Malls</b>				
Gajah Mada Plaza Address: Jalan Gajah Mada 19-26 Sub-District of Petojo Utara, District of Gambir, Regency of Central Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	66,160	Strata Title constructed on Hak Guna Bangunan ("HGB") Title common land. Expired on 25 January 2020. Revalued at 30 November 2008.	79,345	10.33
Cibubur Junction Address: Jalan Jambore No.1 Cibubur, Sub-District of Ciracas, Regency of East Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	49,341	Build Operate and Transfer ("BOT") Scheme. 20 Years from July 2005. Revalued at 30 November 2008.	60,705	7.90
The Plaza Semanggi Address: Jalan Jenderal Sudirman Kav.50, Sub-District of Karet Semanggi, District of Setiabudi, Regency of South Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	91,232	BOT Scheme. 50 years from July 2004. Revalued at 30 November 2008.	136,485	17.77
Mal Lippo Cikarang Address: Jalan MH Thamrin, Lippo Cikarang, Sub-District of Cibatu, District of Lemah Abang, Regency of Bekasi, West Java-Indonesia Acquisition date: 19 November 2007	37,418	HGB Title. Expired on 5 May 2023. Revalued at 30 November 2008.	51,540	6.71
Ekalokasari Plaza Address: Jalan Siliwangi No. 123, Sub-District of Sukasari, District of Kota Bogor Timur, Administrative City of Bogor, West Java-Indonesia Acquisition date: 19 November 2007	39,895	BOT Scheme. 25 years from June 2007. Revalued at 30 November 2008.	37,488	4.88

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

# STATEMENT OF PORTFOLIO (cont'd)

As at 31 December 2008

Description of Property/ Location/Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Percentage of Total Net Assets as at 31 December 2008	
			31 December 2008 \$'000	%
Bandung Indah Plaza Address: Jalan Merdeka No. 56, Sub-District of Citarum, District of Bandung Wetan, Regency of Bandung, West Java-Indonesia Acquisition date: 19 November 2007	55,196	BOT Scheme and HGB Title on top of Hak Pengelolaan ("HPL") Title. 40 years from December 1990. Revalued at 30 November 2008.	87,330	11.37
Istana Plaza Address: Jalan Pasir Kaliki No. 121 – 123, Sub-District of Pamayonan, District of Cicendo, Regency of Bandung, West Java-Indonesia Acquisition date: 19 November 2007	37,434	BOT Scheme. 30 years from January 2003. Revalued at 30 November 2008.	89,534	11.66
Sun Plaza Address: Jalan Haji Zainul Arifin No 7, Madras Hulu, Medan Polonia, Medan, North Sumatra-Indonesia Acquisition date: 31 March 2008	73,871	HGB Title. Expired on 24 November 2032. Revalued at 30 November 2008.	140,374	18.27
<b>Retail Spaces</b>				
Mall WTC Matahari Units Address: Jalan Raya Serpong, Sub-District of Pondok Jagung, District of Serpong, Regency of Tangerang, Banten-Indonesia Acquisition date: 19 November 2007	11,184	Strata Title constructed on HGB Title common land. Expired on 8 April 2018. Revalued at 30 November 2008.	18,926	2.46
Metropolis Town Square Units Address: Jalan Hartono Raya, Sub-District of Kelapa Indah, District of Cikokol, Regency of Tangerang, Banten-Indonesia Acquisition date: 19 November 2007	15,248	Strata Title constructed on HGB Title common land. Expired on 27 December 2029. Revalued at 30 November 2008.	25,122	3.27

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

# STATEMENT OF PORTFOLIO (cont'd)

As at 31 December 2008

Description of Property/ Location/Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	31 December 2008	Percentage of Total Net Assets as at 31 December 2008
			\$'000	%
Depok Town Square Units Address: Jalan Margonda Raya No 1, Sub-District of Pondok Cina Beji, District of Depok, Regency of Depok, West Java-Indonesia Acquisition date: 19 November 2007	13,045	Strata Title constructed on HGB Title common land. Expired on 27 February 2035. Revalued at 30 November 2008.	19,302	2.51
Java Supermall Units Address: Jalan MT Haryono, No. 992-994, Sub-District of Jomblang, District of Semarang Selatan, Regency of Semarang, Central Java-Indonesia Acquisition date: 19 November 2007	11,082	Strata Title constructed on HGB Title common land. Expired on 24 September 2017. Revalued at 30 November 2008.	19,651	2.56
Malang Town Square Units Address: Jalan Veteran No.2, Sub-District of Penanggungan, District of Klojen, Regency of Malang, East Java-Indonesia Acquisition date: 19 November 2007	11,065	Strata Title constructed on HGB Title common land. Expired on 21 April 2033. Revalued at 30 November 2008.	19,276	2.51
Plaza Madiun Address: Jalan Pahlawan No. 38-40, Sub-District of Pangongangan, District of Manguharjo, Regency of Madiun, Central Java-Indonesia Acquisition date: 19 November 2007	19,029	HGB Title. Expired on 10 February 2012. Revalued at 30 November 2008.	25,263	3.29
Grand Palladium Medan Units Address: Jalan Kapten Maulana Lubis, Sub-District of Petisah Tengah, District of Medan Petisah, Regency of Medan, North Sumatera-Indonesia Acquisition date: 19 November 2007	13,417	Kiosks Sale and Purchase Binding Agreement. Revalued at 30 November 2008.	19,626	2.55
Portfolio of Investment Properties at Valuation			829,967	108.04
Other Net Liabilities			(61,805)	(8.04)
Net Assets Attributable to Unitholders			768,162	100.00

Please see Note 14 for the description of the various titles held for the retail malls and spaces.

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

# CONSOLIDATED CASH FLOW STATEMENT

Period from 8 August 2007 (Date of Constitution) to 31 December 2008

	<b>2008</b> <b>\$'000</b>
<b><u>Cash Flows From Operating Activities</u></b>	
Total Return Before Tax	208,006
Interest Income	(1,980)
Interest Expenses	5,046
Amortisation of Borrowing Costs	1,402
Depreciation of Plant and Equipment	95
Fair Value Gains on Investment Properties	(72,814)
Change in Fair Value of Financial Derivatives	(62,384)
Unrealised Foreign Exchange Adjustment Losses	956
Manager's Management Fees Settled in Units	3,532
Operating Cash Flows Before Changes in Working Capital	<u>81,859</u>
Trade and Other Receivables, Current	(8,837)
Other Assets, Current	(10,490)
Trade and Other Payables, Current	5,787
Other Liabilities, Current	8,744
Net Cash Flows From Operation Before Interest and Tax	<u>77,063</u>
Income Tax Paid	(12,245)
Net Cash Flow From Operating Activities	<u>64,818</u>
<b><u>Cash Flows From Investing Activities</u></b>	
Acquisition of Investment Properties	(927,599)
Capital Expenditures on Investment Properties	(2,136)
Purchase of Plant and Equipment	(218)
Interest Received	1,980
Net Cash Used In Investing Activities	<u>(927,973)</u>
<b><u>Cash Flows From Financing Activities</u></b>	
Distribution to the Unitholders	(56,266)
Proceeds from Issuance of Units, Net of Issue Costs	813,369
Increase in Other Financial Liabilities	118,355
Other Liabilities, Non-Current	75,083
Interest Paid	(4,449)
Net Cash Flow From Financing Activities	<u>946,092</u>
<b>Net Effect of Exchange Rate Changes in Consolidating Subsidiaries</b>	<u>11,518</u>
Net Increase in Cash and Cash Equivalents	<u>94,455</u>
<b>Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 19A)</b>	<u>94,455</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

## 1. General

Lippo-Mapletree Indonesia Retail Trust ("LMIR Trust" or the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 August 2007 ("Trust Deed") entered into between Lippo-Mapletree Indonesia Retail Trust Management Ltd (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of Singapore.

LMIR Trust was admitted to the official list on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 November 2007.

The principal activity of LMIR Trust and its subsidiaries (the "Group") is to invest in a diversified portfolio of income-producing real estate properties in Indonesia. These are primarily used for retail and/or retail-related purposes. The primary objective is to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit.

The registered office of the Manager is 78 Shenton Way, #05-01, Singapore 079120.

The financial statements were approved and authorised for issue by the board of directors of the Manager on 25 March 2009. The financial statements relate to LMIR Trust and the Group.

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

### (A) Trustee's Fees

The Trustee's fees shall not exceed 0.03% per annum of the value of the Deposited Property (as defined in the Trust Deed), subject to a minimum of \$15,000 per month, excluding out-of-pocket expenses and GST. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. In addition, a one-time inception fee of \$25,000 is payable. The Trustee's fees will be subject to review three years from the Listing Date.

### (B) Manager's Management Fees

Under the Trust Deed, the Manager is entitled to management fees comprising the base fee and performance fee as follows:

- (i) A base fee ("Base Fee") of 0.25% per annum of the value of the Deposited Property.
- (ii) A performance fee ("Performance Fee") is fixed at 4.0% per annum of the Group's Net Property Income ("NPI") (calculated before accounting for this additional fee in the financial year). NPI in relation to a real estate, whether directly or held by the Trustee or indirectly held by the Trustee through a special purpose company, and in relation to any year or part thereof, means its property income less property operating expenses for such real estate for that year or part thereof. The Manager may opt to receive the performance fee in the form of units and or cash.

An authorised investment management fee of 0.5% per annum of the value of Authorised Investments which are not in the form of real estate (whether held directly by LMIR Trust or indirectly through one or more subsidiaries). Where such authorised investment is an interest in a property fund (either a REIT or private property fund) wholly managed by a wholly-owned subsidiary of the Sponsor, no authorised investment management fee shall be payable in relation to such authorised investment.

- (iii) Manager's acquisition fee ("Acquisition Fee") is determined at 1.0% of value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).
- (iv) The Manager is also entitled for divestment fee ("Divestment Fee") at the rate of 0.5% of the sales price of any Authorised Investment directly or indirectly sold or divested from time to time by the Trustee on behalf of LMIR Trust. The Manager may opt to receive the divestment fee in the form of units and or cash.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 1. General (Cont'd)

### (C) Property Manager's Fees

Under the Property Management Agreement in respect of each Retail Mall, the Property Manager is entitled to the following fees:

- (i) 2% per annum of the gross revenue for the relevant Retail Mall.
- (ii) 2% per annum of the net property income for relevant Retail Mall (after accounting for the fee of 2% per annum of the gross revenue for the relevant Retail Mall).
- (iii) 0.5% per annum of the net property income for the relevant Retail Mall in lieu of leasing commissions otherwise payable to the Property Manager and/or third party agents.

Under each existing Property Management Agreement, each of the Indonesian subsidiaries that are owners of retail malls ("Retail Mall Property Companies") agrees to reimburse the Property Manager, upon request made from time to time, for its expenses incurred in connection with the provision of property management services and with the performance of its duties which are in compliance with the approved annual business plan and budget as stated in the existing Property Management Agreement. Such expenses include but are not limited to rent, service charge and VAT payable by the Property Manager of its lease of its office premises; advertising and promotion costs; and salaries of the Property Manager's employees who are approved by the relevant Retail Mall Property Companies.

The Group's business activities like others in many countries in the region, including Singapore, are experiencing severe economic difficulties as a consequence of the current turmoil in the world's financial markets. This has resulted in violent fluctuations in foreign currency exchange rates, volatile stock and commodity markets, uncertainty of the availability of bank finance to suppliers and customers and a slowdown in growth. The current financial crisis has affected, and will continue to have an impact on the Group's business, financial condition, results of operations, cash flows and prospects for the foreseeable future. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in performance, show that the Group should be able to operate within the level of its current facility. The Group has considerable financial resources together with some good arrangements with the tenants and suppliers.

As a consequence, the Manager believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

## 2. Summary of Significant Accounting Policies

### Accounting Convention

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### **Basis of Presentation**

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

### **Basis of Preparation of Financial Statements**

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

### **Revenue Recognition**

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

#### Rental income from operating leases and Rental Guarantee income

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the leased term. Rental received in advance is amortised on time-proportion basis.

#### Interest income

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

#### Dividend income

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Income Tax

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

### Foreign Currency Transactions

The functional currency of LMIR Trust is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the statements of total return except when deferred in equity as qualifying cash flow hedges. The presentation is in the functional currency.

### Translation of Financial Statements of Other Entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operate. In translating the financial statements of an investee for incorporation in the combined financial statements the assets and liabilities denominated in currencies other than the functional currency of the Group are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The components of equity are stated at historical value. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of that investee.

### Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a Group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. Segment information has not been presented as all of the Group's investment properties are used primarily for retail purposes and are all located in Indonesia.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Subsidiaries

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

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

### Borrowing Costs

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

### Unit Based Payments

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

### Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment	–	10%
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An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the statements of total return. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost is recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of total return when they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Investment Property

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

### Leased Assets

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

### Impairment of Non-Financial Assets

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Financial Assets

Initial recognition and measurement and derecognition of financial assets:

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

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

Subsequent measurement:

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

- #1. Financial assets at fair value through statements of total return: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. All changes in fair value relating to assets at fair value through statements of total return are recognised directly in the statements of total return. They are classified as non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting year.
- #2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not to be classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statements of total return. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
- #3. Held-to-maturity financial assets: As at year end date there were no financial asset classified in this category.
- #4. Available for sale financial assets: As at year end date there were no financial asset classified in this category.

### Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the cash flow statement the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash flows arising from hedging instruments are classified as operating, investing or financing activities, on the basis of the classification of the cash flows arising from the hedged item.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedging accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in the statements of total return and the hedged item follows normal accounting policies.

### Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through statements of total return includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through statements of total return are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

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

- #1. Liabilities at fair value through statements of total return: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through statements of total return are charged to the statements of total return as incurred.
- #2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowing are classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Liabilities and equity financial instruments:

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

### Fair Value of Financial Instruments

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

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

### Net Assets Attributable to Unitholders

Net assets attributable to unitholders represent residual interest in the net assets of the Trust. Distributions on units are recognised as liabilities when they are declared. Expenses incurred in connection with the initial public offering of the Trust are deducted directly from net assets attributable to unitholders.

### Provisions

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

### Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Fair values of investment properties:

Certain judgements and assumptions are made in the valuation of the investment properties based calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 14.

Deferred tax estimation:

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The amount at the end of reporting year was \$21,978,000 for the Group.

Estimated impairment of subsidiaries:

When a subsidiary is in net equity deficit and has suffered operating losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is \$930,809,000 at the end of the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 3. Related Party Transactions

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

### 3.1 Related companies:

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

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

### 3.2 Other related parties:

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

Significant related party transactions:

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

	Group	Trust
	8/8/2007 to 31/12/2008 \$'000	8/8/2007 to 31/12/2008 \$'000
<b>The Manager<sup>(1)</sup></b>		
Acquisition fee paid in relation to the purchase of investment properties	1,467	1,467
Manager's management fees expense	6,988	6,988
<b>The Trustee</b>		
Trustee fees expense	287	287
<b>The Property Manager<sup>(2)</sup></b>		
Property Manager fees expense	3,795	-
<b>Master Lessee<sup>(3)</sup></b>		
Property rental revenue	14,536	-
<b>Unitholder<sup>(4)</sup></b>		
Rental guarantee revenue	4,583	-
<b>Subsidiary of Sponsor<sup>(5)</sup></b>		
Property rental revenue	41	-
<b>Affiliate of Sponsor<sup>(6)</sup></b>		
Property rental revenue	47	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 3. Related Party Transactions (Cont'd)

### 3.2 Other related parties: (Cont'd)

- (1) The Manager is Lippo-Mapletree Indonesia Retail Trust Management Ltd.
- (2) The Property Manager of the retail malls is PT. Consulting & Management Services Division, a wholly-owned subsidiary of PT Lippo Karawaci Tbk ("Sponsor").
- (3) The Master Lessee of the retail spaces is PT. Matahari Putra Prima Tbk, which the Sponsor has an interest.
- (4) The Unitholder is Lippo Strategic Holdings Inc, an affiliate of the Sponsor.
- (5) The Subsidiary of Sponsor is PT. Siloam Sarana Karya.
- (6) The Affiliate of Sponsor is PT. Jakarta Globe Media.

Lippo Strategic Holdings Inc. ("Lippo Strategic") has entered into Rental Guarantee Deeds with the Singapore subsidiaries to which Lippo Strategic will provide rental guarantee for the period from listing date 19 November 2007 to 31 December 2009 in respect of existing and new units in the respective retail malls which are untenanted and any shortfalls in the maintenance and operation costs which the relevant operating company has undertaken to bear under the operating costs agreement.

Lippo Strategic has furnished to the relevant Singapore subsidiaries bank guarantees of \$6,946,825, which are based on the outstanding rental income for the whole of FY2008 for the specific untenanted units at 1 January 2008. These guarantees expired on 31 December 2008. The revised bank guarantees given for the whole of FY 2009 for the specific untenanted units at 1 January 2009 is \$10,000,000 and these guarantees will expire on 31 December 2009.

### 3.3 Key management compensation:

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

## 4. Gross Revenue

	<b>Group</b>	<b>Trust</b>
	<b>8/8/2007 to 31/12/2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>
Rental revenue	84,411	–
Rental guarantee revenue	4,583	–
Car park revenue	9,469	–
Dividend income from subsidiaries	–	56,853
Other revenue	3,298	–
	<b>101,761</b>	<b>56,853</b>

## 5. Property Operating Expenses

	<b>Group</b>	<b>Trust</b>
	<b>8/8/2007 to 31/12/2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>
Land rental	1,715	–
Property management fee	3,795	–
Legal and professional fee	692	–
Depreciation of plant and equipment	95	–
Allowance for impairment on trade receivables	7,039	–
Other expenses	128	–
	<b>13,464</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 6. Other Credits

	Group	Trust
	8/8/2007 to 31/12/2008 \$'000	8/8/2007 to 31/12/2008 \$'000
Other income	471	–

## 7. Manager's Management Fees

	Group and Trust
	8/8/2007 to 31/12/2008 \$'000
Base fees	3,456
Performance fees settled in units	3,532
	<u>6,988</u>

The Manager has elected to receive all the performance fees in the form of units. The Performance fees of approximately \$3,038,000 were paid during the year through the issuance of 5,545,234 units. The remaining amount of approximately \$494,000 was paid subsequent to year end in February 2009 through the issuance of 1,566,532 new units (Note 32).

## 8. Finance Costs

	Group	Trust
	8/8/2007 to 31/12/2008 \$'000	8/8/2007 to 31/12/2008 \$'000
Interest expense	5,046	5,046
Amortisation of borrowing costs	1,402	1,402
	<u>6,448</u>	<u>6,448</u>

## 9. Other Expenses

	Group	Trust
	8/8/2007 to 31/12/2008 \$'000	8/8/2007 to 31/12/2008 \$'000
Arrangement fee for term loan facility written-off	3,274	3,274
Bank charges	18	2
Investor relation expenses	111	111
Legal expenses	36	36
Listing expenses	67	67
Security agent fees	73	73
Tax consultation expenses	35	35
Valuation expenses	65	65
Other expenses	253	253
	<u>3,932</u>	<u>3,916</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 10. Income Tax

	<b>Group</b>	<b>Trust</b>
	<b>8/8/2007 to 31/12/2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>
Income tax	17,899	–
Deferred tax	21,978	–
Total income tax expense	<u>39,877</u>	<u>–</u>

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

	<b>Group</b>	<b>Trust</b>
	<b>8/8/2007 to 31/12/2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>
Tax reconciliation:		
Total return/(loss) before income tax	<u>208,006</u>	<u>(11,633)</u>
Income tax expense at the above rate	37,441	(2,094)
(Not liable to tax)/not deductible items	(5,577)	2,094
Foreign tax	7,012	–
Effect of different tax rates in different countries	75	–
Other minor items less than 3% each	926	–
Total income tax expense	<u>39,877</u>	<u>–</u>
Effective tax rate	<u>19.2%</u>	<u>–</u>

The amount of current income taxes outstanding for the Group as at end of year was \$5,654,000. Such an amount is net of tax advances, which, according to the tax rules, were paid before the year-end.

In 2009, the government enacted a change in the national income tax rate from 18% to 17%.

Also See Note 12 for income tax on distributions to unitholders.

### Deferred tax:

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

	<b>Net changes in statement of total return</b>			
	<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>
	<b>2008 \$'000</b>	<b>2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>	<b>8/8/2007 to 31/12/2008 \$'000</b>
Deferred tax liabilities:				
Deferred tax relating to the increase in fair value of investment properties	21,978	–	21,978	–

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 10. Income Tax (Cont'd)

### Taxation of Income from Indonesia Properties

#### Corporate Income Tax in Indonesia

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

#### Withholding Tax in Indonesia

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

- Dividends paid by a company resident in Indonesia to a company resident in Singapore which owns directly at least 25% of the capital of the company paying the dividends; and
- Interest paid to a resident of Singapore.

Indonesia withholding tax is at 15% in respect of dividends paid by a company resident in Indonesia to a company resident in Singapore who owns directly less than 25% of the capital of the company paying the dividends.

#### Dividends from Indonesian Subsidiaries

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

- (a) In the year the dividends are received in Singapore, the headline corporate tax rate in the foreign country from which the dividends are received is at least 15.0%;
- (b) The dividends have been subject to tax in the foreign country from which they are received; and
- (c) The Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore subsidiaries.

#### Dividends from Singapore Subsidiaries

Dividends received by LMIR Trust from its respective Singapore subsidiaries are exempt from Singapore income tax provided that the Singapore subsidiaries are tax residents of Singapore for income tax purposes.

#### Interest Income from Indonesian Subsidiaries

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

#### Redemption of redeemable preference shares in Singapore Subsidiaries

Proceeds received by LMIR Trust from the redemption of its redeemable preference shares in the Singapore subsidiaries at the original cost of the redeemable preference shares are capital receipts and hence exempt from Singapore income tax.

#### Receipt from Indonesia Subsidiaries for Repayment of Shareholder Loans

Proceeds received by the Singapore subsidiaries for the repayment of shareholder loans from their Indonesian subsidiaries are capital receipts and hence exempt from Singapore income tax.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 11. Earnings Per Unit

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

	<b>Group</b>
	<b>2008</b>
Denominator: weighted average number of units	
Basic and diluted	1,062,413,330
	<b>\$'000</b>
Numerator: Earnings attributable to Unitholders	
Total returns after tax	168,129
	<b>Cents</b>
Earnings per unit (in cents)	
Basic and diluted	15.83
Adjusted Notional Basic Earnings per Unit:	
	<b>Group</b>
	<b>\$'000</b>
Numerator: Earnings attributable to Unitholders	
Total returns after tax adjusted for fair value gain on investment properties, net of deferred tax	117,293
	<b>Cents</b>
Adjusted Notional Basic Earnings per Unit (in cents)	
Basic and diluted	11.04

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 12. Distribution Per Unit

		Group and Trust	
		2008	2008
		Cents per unit	\$'000
Based on the number of units in issue at the end of the financial year		5.60	59,492
<b>Distribution Type</b>			
Name of Distribution	Distribution during the year (interim distribution)		
Distribution Type	Income/Capital		
Distribution Rate		<b>Cents per unit</b>	
	Tax-Exempt Income <sup>(a)</sup> :	3.99	
	Capital <sup>(b)</sup> :	1.31	
	Subtotal:	5.30	
Name of Distribution	Distribution declared subsequent to year end (final distribution) (See Note 32)		
Distribution Type	Capital		
Distribution Rate		<b>Cents per unit</b>	
	Tax-Exempt Income <sup>(a)</sup> :	-	
	Capital <sup>(b)</sup> :	0.30	
	Subtotal:	0.30	
Total distribution per unit		5.60	

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

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

Current distribution policy:

LMIR Trust's current distribution policy is to distribute 100% of its tax-exempt income (after deduction of applicable expenses) and capital receipts, for the financial years ended 31 December 2008 and 2009. Thereafter, LMIR Trust will distribute at least 90% of its tax-exempt income (after deduction of applicable expenses) and capital receipts. The tax-exempt income comprise dividends received from the Singapore tax resident subsidiaries. The capital receipts comprise amounts received by LMIR Trust from redemption of redeemable preference shares in the Singapore subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 13. Plant and Equipment

	<b>Group</b>
	<b>2008</b>
	<b>\$'000</b>
Cost:	
At date of constitution 8 August 2007	–
Additions	218
At 31 December 2008	<u>218</u>
Accumulated depreciation:	
At date of constitution 8 August 2007	–
Charge for the year	95
At 31 December 2008	<u>95</u>
Net book value:	
At 31 December 2008	<u>123</u>

The depreciation expense is charged to statements of total return as property operating expenses. Fully depreciated plant and equipment still in use had a cost of \$105,270.

## 14. Investment Properties

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Additions at cost	927,599	–
Expenditures capitalised	2,136	–
	<u>929,735</u>	–
Increase in fair value included in statements of total return	72,814	–
Translation Differences	(172,582)	–
Fair value at end of year	<u>829,967</u>	–
	<b>Group</b>	<b>Trust</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental and service income from investment properties	101,761	–
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	<u>(13,464)</u>	–

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

As disclosed in the prospectus dated 9 November 2007, certain of the investment properties were acquired from an affiliate of the sponsor.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 14. Investment Properties (Cont'd)

The fair value of each investment property is stated on the existing use basis to reflect the actual market state and circumstances as of the end of the reporting year and not as of either a past or future date. A gain or loss arising from a change in the fair value is recognised in the statements of total return. The fair value is determined periodically on a systematic basis at least once yearly. The fair value was based on a valuation made by Knight Frank/PT Willson Properties Advisindo, a firm of independent professional valuers on 30 November 2008. The valuation was based on the discounted cash flow and net income capitalization method.

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

	<u>2008</u>
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties	16%
2. Terminal capitalization rate	8% to 11%
3. Cash flow forecasts derived from the most recent financial budgets and plans approved by management	Note 1

Note 1: Discounted cash flow analysis over a five-year investment horizon from 30 November 2008 to 30 November 2013 for the 8 shopping malls, and over a ten-year horizon from 30 November 2008 to 30 November 2018 for the 7 retail spaces.

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

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

The types of property titles in Indonesia which are held by the Group are as follows:

(a) Hak Guna Bangunan ("HGB") Title

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

(b) Build, Operate and Transfer Schemes ("BOT Schemes")

This title gives the Indonesia subsidiaries ("BOT Grantee") the right to build and operate the retail mall for a particular period of time as stipulated in the BOT Agreement by the land owner ("BOT Grantor"). A BOT scheme is not registered with any Indonesian authority. Rights under a BOT scheme do not amount to a legal title and represent only contractual interests.

In exchange for the right to build and operate the retail mall on the land owned by the BOT Grantor, the BOT Grantee is obliged to pay a certain compensation (as stipulated in the BOT agreement), which may be made in the form of a lump sum or staggered.

BOT scheme is granted for an initial period for 20 to 30 years and is extendable upon agreement of both parties. Upon the expiration of the term of the BOT agreement, the BOT Grantee must return the land, together with any buildings and fixtures on top of the land, without either party providing any form of compensation to the other.

(c) Strata Title

This title gives the party who holds the property the ownership of common areas, common property and common land proportionately with other strata title unit owners.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 14. Investment Properties (Cont'd)

### (d) Hak Pengelolaan ("HPL") Title

A HPL Title provides the land owner the "right to manage" a land created by the state. The holder of a Right to Manage title may use the granted executing authority for the purpose of land utilization and allocation planning, utilization of the land related to the role of such Indonesian government entities, partial assignment of the land to third parties and/or land management in cooperation with third parties.

### (e) Kiosks Sale and Purchase Binding Agreement

This agreement could be entered prior to entering into a deed of sale and purchase of land. Under a Kiosks Sale and Purchase Binding Agreement, each of the parties agree on the terms and conditions for the sale and purchase but this agreement does not have the effect of transferring the ownership of the land to the other party. Instead, subject to certain conditions in the agreement, the vendor is bound to sell the land and the purchaser is bound to purchase the land. These agreements shall be executed in good faith and cannot be revoked except by mutual agreement or pursuant to certain reasons which have been legally declared as sufficient.

The investment properties are leased out under operating leases.

## 15. Investments in Subsidiaries

	<b>Trust</b>
	<b>2008</b>
	<b>\$'000</b>
Unquoted equity shares, at cost	581,454
Redeemable preference shares, at cost	303,549
Quasi equity loans *	45,806
Less: Allowance for Impairment	<u>(113,702)</u>
	<u>817,107</u>
 Net book value of subsidiaries	 <u>819,827</u>
 Analysis of above amount denominated in non-functional currency:	
United States Dollars	12,226
Indonesian Rupiah	<u>783,849</u>
 <u>Movements in allowance for impairment:</u>	
Balance at date of constitution	-
Charged to statements of total return	<u>(113,702)</u>
Balance at end of year	<u>(113,702)</u>

\* The quasi-equity loans are unsecured, interest-free loans to three Singapore subsidiaries with no fixed repayment terms. They are, in substance, part of the LMIR Trust's net investment in the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 15. Investments in Subsidiaries (Cont'd)

The subsidiaries are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of Investments	Effective Percentage of Equity Held by Group
	2008 \$'000	2008 %
Belilios International Pte Ltd <sup>(b)</sup> Singapore Investment holding	84,314	100
Dominion Capital Pte Ltd <sup>(b)</sup> Singapore Investment holding	65,707	100
Greenlot Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	76,390	100
Tangent Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	101,906	100
Magnus Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	103,713	100
Thornton Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	52,422	100
Pierbridge Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	175,379	100
Great Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	46,021	100
Grace Capital Pte Ltd <sup>(b)</sup> Singapore Investment holding	43,696	100
Realty Overseas Pte Ltd <sup>(b)</sup> Singapore Investment holding	20,547	100
Java Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	21,188	100
Serpong Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	20,739	100
Metropolis Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	27,669	100

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 15. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of Investments	Effective Percentage of Equity Held by Group
	2008 \$'000	2008 %
Matos Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	21,070	100
Detos Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	21,168	100
Palladium Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	21,573	100
Madiun Properties Pte Ltd <sup>(b)</sup> Singapore Investment holding	27,307	100
Prism Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	765	100
Silver Dory Holdings Pte Ltd <sup>(b)</sup> Singapore Investment holding	765	100
Vernon Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	89	100
Maxia Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	535	100
Fenton Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	1,256	100
Langston Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	60	100
Bowland Investments Pte Ltd <sup>(b)</sup> Singapore Investment holding	161	100
PT Graha Baru Raya <sup>(a)</sup> Indonesia Owner of Gajah Mada Plaza	805	100
PT Graha Nusa Raya <sup>(a)</sup> Indonesia Owner of Mal Lippo Cikarang	805	100

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 15. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of Investments	Effective Percentage of Equity Held by Group
	2008 \$'000	2008 %
PT Cibubur Utama <sup>(a)</sup> Indonesia Owner of Cibubur Junction	1,772	100
PT Megah Semesta Abadi <sup>(a)</sup> Indonesia Owner of Bandung Indah Plaza	10,692	100
PT Suryana Istana Pasundan <sup>(a)</sup> Indonesia Owner of Istana Plaza	25,112	100
PT Indah Pesona Bogor <sup>(a)</sup> Indonesia Owner of Ekalokasari Plaza	1,208	100
PT Primatama Nusa Indah <sup>(a)</sup> Indonesia Owner of The Plaza Semanggi	3,222	100
PT Manunggal Wiratama <sup>(a)</sup> Indonesia Owner of Sun Plaza	9,835	100
PT Dinamika Serpong <sup>(a)</sup> Indonesia Owner of Mall WTC Matahari Units	805	100
PT Gema Metropolis Modern <sup>(a)</sup> Indonesia Owner of Metropolis Town Square Units	805	100
PT Matos Surya Perkasa <sup>(a)</sup> Indonesia Owner of Malang Town Square Units	805	100
PT Megah Detos Utama <sup>(a)</sup> Indonesia Owner of Depok Town Square Units	805	100
PT Palladium Megah Lestari <sup>(a)</sup> Indonesia Owner of Grand Palladium Medan Units	805	100
PT Madiun Ritelindo <sup>(a)</sup> Indonesia Owner of Plaza Madiun	805	100
PT Java Mega Jaya <sup>(a)</sup> Indonesia Owner of Java Supermall Units	805	100

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 15. Investments in Subsidiaries (Cont'd)

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

The share certificates of all subsidiaries are pledged as security for bank facilities (see Note 22).

## 16. Other Financial Assets

	<b>Group and Trust</b>
	<b>2008</b>
	<b>\$'000</b>
Derivatives financial instruments (Note 26)	63,883
Presented in the balance sheet as:	
Non-current portion	52,348
Current portion	11,535
	<u>63,883</u>

## 17. Trade and Other Receivables, Current

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Trade receivables:</u>		
Outside parties	13,717	144
Less: Allowance for impairment	(7,039)	-
Sub-Total	<u>6,678</u>	<u>144</u>
<u>Other receivables:</u>		
Subsidiaries (Notes 3 and 15)	-	8,039
Other receivables	2,159	120
Sub-Total	<u>2,159</u>	<u>8,159</u>
Total trade and other receivables, Current	<u>8,837</u>	<u>8,303</u>
<u>Movements in above allowance:</u>		
Balance at date of constitution	-	-
Charge for trade receivables to statements of total return included in property operating expenses	(7,039)	-
Balance at end of year	<u>(7,039)</u>	<u>-</u>

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants and credit policy of obtaining security deposits from most tenants for leasing the Group's investment properties. These tenants comprise of retailers engaged in a wide variety of consumer trades. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables where the tenants have given notice of termination of their leases.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 18. Other Assets, Current

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	195	37
Prepaid tax	10,295	–
	<u>10,490</u>	<u>37</u>

## 19. Cash and Cash Equivalents

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Not restricted in use	94,455	–
Interest earning balances	<u>87,134</u>	<u>–</u>

The rate of interest for the cash on interest earning accounts is between 0.15% and 14% per year. These approximate the effective interest rate.

## 19A. Cash and Cash Equivalents in the Cash Flow Statement

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
As shown above	<u>94,455</u>	<u>–</u>

## 19B. Non-Cash Transactions

During the year, there were units issued as settlement of the performance fee element of the Manager's management fees (Note 7).

## 20. Total Unitholders' Fund

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Movements:		
Net proceeds from issue of units	816,407	816,407
Total return/(loss) for the financial year	168,129	(11,633)
Currency translation reserve <sup>(a)</sup>	(160,108)	–
Distributions	(56,266)	(56,266)
Net assets attributable to unitholders at end of the year	<u>768,162</u>	<u>748,508</u>
Units in issue (Note 21)	<u>1,065,959,234</u>	<u>1,065,959,234</u>

(a) The currency translation reserve comprises of foreign exchange differences arising from the translation of the financial statements of foreign operations.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 20. Total Unitholders' Funds (Cont'd)

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>Cents</b>	<b>Cents</b>
Net assets attributable to unitholders per unit (in cents)	72.06	70.22
Adjusted notional net assets attributable to unitholders per unit (in cents) <sup>(b)</sup>	67.29	70.22

(b) Excludes the fair value changes on the investment properties.

At 31 December 2008, 1,566,532 units are issuable as settlement for the performance fee element of the Manager's management fees for the quarter ended 31 December 2008 (Notes 7 and 32).

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

The transaction costs for the issuance of the units during the year totalled \$34,962,000. This includes fees of \$900,000 paid to the auditors as reporting accountants.

Each unit in LMIR Trust presents an undivided interest in LMIR Trust. The rights and interests of unitholders are contained in the Trust Deed and include the right to:

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

No unitholder has a right to require that any assets of LMIR Trust be transferred to him.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 20. Total Unitholders' Funds (Cont'd)

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders, and to provide an adequate return to unitholders by pricing products and services commensurately with the level of risk. The Manager sets the amount of capital in proportion to risk. The Manager manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. Also see Note 12 on distribution policy.

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

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Net debt:		
All current and non-current borrowings including finance leases	119,757	118,852
Less cash and cash equivalents	(94,455)	–
Net debt	<u>25,302</u>	<u>118,852</u>
Net capital:		
Issued equity	816,407	816,407
Retained earnings/(accumulated losses)	168,129	(11,633)
Currency translation revenue	(160,108)	–
Distributions	(56,266)	(56,266)
Net capital	<u>768,162</u>	<u>748,508</u>
Debt-to-adjusted capital ratio	<u>3.29%</u>	<u>15.88%</u>

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

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

## 21. Units in issue

	<b>Group &amp; Trust</b>
	<b>2008</b>
Units at date of constitution	–
Units created in the IPO exercise	1,060,414,000
Manager's Management Fees Settled in Units	5,545,234
Units at end of the financial year	<u>1,065,959,234</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 22. Other Financial Liabilities

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Non-current:</u>		
Bank loan (secured) (Note 22A)	118,852	118,852
Finance lease (Note 22B)	879	–
Derivatives financial instruments (Note 26)	616	616
Non-current, total	<u>120,347</u>	<u>119,468</u>
<u>Current:</u>		
Finance lease (Note 22B)	26	–
Derivatives financial instruments (Note 26)	883	883
Current, total	<u>909</u>	<u>883</u>
Total	<u>121,256</u>	<u>120,351</u>
The non-current portion is repayable as follows:		
Due within 2 to 5 years	119,474	119,468
Due after 5 years	873	–
Total non-current portion	<u>120,347</u>	<u>119,468</u>

## 22A. Bank Loan (Secured)

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loan (secured)	125,000	125,000
Less: Amortised transaction costs	(6,148)	(6,148)
	<u>118,852</u>	<u>118,852</u>

The bank loan is repayable on 31 March 2013. Interest is payable quarterly. However, as described in Note 26, an interest rate swap has been entered into that effectively converts interest rates to fixed rates.

The range of floating rate interest rates paid were as follows:

	<b>Group and Trust</b>
	<b>2008</b>
Bank loan (secured)	<u>4.43% to 4.64%</u>

The carrying amounts of the current and non-current portions are assumed to be a reasonable approximation of fair values.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 22A. Bank Loan (Secured) (Cont'd)

LMIR Trust has covenants for the above loan facility which require LMIR Trust:

- (i) To procure that none of its subsidiaries will create or have any outstanding security over the retail malls and spaces, the shares and the charged assets (collectively "Relevant Assets").
- (ii) Shall not without prior consent in writing from the lender:
  - (a) Sell, transfer or dispose any of the Relevant Assets on terms whereby they are leased or re-acquired by any other members of the Group;
  - (b) Sell, transfer or dispose any of its receivables in relation to the Relevant Assets on recourse terms;
  - (c) Enter into any arrangement in relation to the Relevant Assets, under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts;
  - (d) Enter into any preferential arrangement in relation to the Relevant Assets having a similar effect;

in circumstances where the arrangement or transaction is entered into primarily as a method of raising financial indebtedness or of financing the acquisition of an asset.

The bank loan is also secured with the share certificates of all subsidiaries pledged to the lender.

## 22B. Finance Lease

	Minimum payments	Finance charges	Present value
	\$'000	\$'000	\$'000
<b>Group:</b>			
<u>Minimum lease payments payable:</u>			
Due within one year	27	(1)	26
Due within 2 to 5 years	7	(1)	6
Due after 5 years	902	(29)	873
Total	936	(31)	905

Finance lease represents Build, Operate and Transfer (BOT) fees payable. PT Cibubur Utama ("Cibubur") entered into a BOT agreement with Perusahaan Daerah Pembangunan Sarana Jaya DKI Jakarta ("Sarana"). PT Cibubur has the right to build operate and transfer the property for a period of 20 years commencing July 2005 and the first priority to extend the agreement.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 22B. Finance Lease (Cont'd)

Cibubur has the following outstanding payment obligations to Sarana:

(a) US\$2,260,000 (S\$3,473,600) including VAT that is to be paid by instalments from the year 2004 until 2024 as follows:

- (i) US\$ 75,500 (S\$116,000) per year for the first 5 years.
- (ii) US\$100,500 (S\$154,500) per year for the second 5 years.
- (iii) US\$125,500 (S\$192,900) per year for the third 5 years.
- (iv) US\$150,500 (S\$231,300) per year for the fourth 5 years.

The pegged rate of payment shall be US\$1 equal to Rp. 8,500.

(b) Goodwill compensation of Rp. 1,500,000,000 (S\$254,000) that was paid/to be paid as follows:

- (i) Rp. 500,000,000 (S\$84,700) was paid on 20 December 2004 and
- (ii) Rp. 1,000,000,000 (S\$169,500) shall be paid from 2005 until 2009 in 5 instalments of Rp. 200,000,000 (S\$33,900) per year with the first instalment commencing 1 February 2005.

(c) Monitoring fee of Rp. 5,000,000 (S\$847) per month including VAT that is to be paid quarterly on 15 January, 15 April, 15 July and 15 October commencing 2004.

The fixed rate of interest for finance lease is 14% per annum. The finance lease is on fixed repayment term and no arrangements have been entered into for contingent rental payments.

The carrying amount of the lease liabilities is not significantly different from the fair value.

## 23. Other Liabilities, Non-Current

	Group	Trust
	2008	2008
	\$'000	\$'000
Deferred income	75,083	–

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

## 24. Trade and Other Payables, Current

	Group	Trust
	2008	2008
	\$'000	\$'000
<u>Trade payables:</u>		
Outside parties and accrued liabilities	2,202	2,035
<u>Other payables:</u>		
Subsidiaries (Notes 3 and 15)	–	15,419
Other payables	4,676	3,017
Sub-total	4,676	18,436
Total trade and other payables, current	6,878	20,471

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 25. Other Liabilities, Current

	Group	Trust
	2008	2008
	\$'000	\$'000
Security deposits from tenants	8,744	–

## 26. Derivatives Financial Instruments

The table below summarises the fair value of derivatives engaged into at the end of year.

	Group and Trust
	2008
	\$'000
Assets – Derivatives with positive fair values:	
Non-hedging instruments – Forward currency contracts (Note 26A)	63,883
Non-current portion (Note 16)	52,348
Current portion (Note 16)	11,535
	63,883
Liabilities – Derivatives with negative fair values:	
Interest rate swaps (Note 26B)	(1,499)
Non-current portion (Note 22)	(616)
Current portion (Note 22)	(883)
	(1,499)
The movements during the year were as follows:	
	2008
	\$'000
Fair value at date of constitution	–
Change in fair value of financial derivatives included in statements of total return	62,384
Total net balance at end of year	62,384

The fair values of the derivatives are estimated based on market values of equivalent instruments at the end of the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 26A. Forward Currency Contracts

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

	Notional Amount	Reference currency	Expiry Date	Fair value
	\$'000			\$'000
Forward currency contract	63,373	Indonesian Rupiah	15 May 2013	7,355
Forward currency contract	285,839	Indonesian Rupiah	16 Nov 2012	56,528
	349,212			63,883

The purpose of these forward currency contracts is to mitigate the fluctuations of income denominated in Indonesian Rupiah arising from (i) dividends received or receivable from the Singapore subsidiaries, and (ii) capital receipts from the redemption of redeemable preference shares by the Singapore subsidiaries.

## 26B. Interest Rate Swaps

The notional amount of interest rate swaps is \$125,000,000. They are designated to convert floating rate bank loan to fixed rate exposure for the next three years at 5.28% per annum. The interest rate swap expires on 31 May 2011.

## 27. Financial Ratios

	Group	Trust
	2008	2008
Expenses to average net assets <sup>(1)</sup>		
– expense ratio excluding performance-related fee	1.00%	1.02%
– expense ratio including performance-related fee	1.46%	1.50%
Portfolio turnover rate <sup>(2)</sup>	–	–

(1) The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group and Trust level, excluding property related expenses, borrowing costs, foreign exchange losses/(gains), tax deducted at source and costs associated with the purchase of investments.

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 28. Financial Instruments: Information On Financial Risks

### 28A. Classification of Financial Assets and Liabilities

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

	Group	Trust
	2008	2008
	\$'000	\$'000
<u>Financial assets:</u>		
Cash and cash equivalents	94,455	–
Financial assets at fair value through statements of total return designated as such upon initial recognition	63,883	63,883
Loans and receivables	8,837	8,303
At end of year	167,175	72,186
<u>Financial liabilities:</u>		
Financial liabilities at fair value through statements of total return designated as such upon initial recognition	1,499	1,499
Measured at amortised cost:		
– Borrowings	118,852	118,852
– Trade and other payables	6,878	20,471
– Finance lease	905	–
At end of year	128,134	140,822

Further quantitative disclosures are included throughout these financial statements.

### 28B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The major guidelines are the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off- setting of revenue and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following the good market practices.
6. May consider investing in shares or similar instruments.

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 28C. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables and other financial assets. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. Credit risk on cash balances with banks and derivative financial instruments is limited because the counter-parties are banks with acceptable credit ratings. All unencumbered bank deposits with the banks licensed by the Monetary Authority of Singapore are guaranteed by the Singapore Government until 31 December 2010. However, the bank deposits with Indonesia banks in Indonesia amounting to \$34,133,000 are not guaranteed. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the statements of total return. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period granted to trade receivables customers is about 30 days. But some customers take a longer period to settle the amounts. The table below illustrates the ageing analysis:

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables:		
Less than 30 days	2,945	2
31 – 60 days	642	136
61 – 90 days	1,460	6
Over 91 days	1,631	–
At end of year	<u>6,678</u>	<u>144</u>

Other receivables are normally with no fixed terms and therefore there is no maturity.

The allowance is based on individual accounts totalling \$7,039,000 that are determined to be impaired at the year end date. These are not secured.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 28D. Liquidity Risk

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

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

	Borrowings	Derivatives	Finance Leases	Trade and Other Payables	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>					
Less than 1 year	–	883	26	6,878	7,787
1 – 3 years	–	616	3	–	619
3 – 5 years	118,852	–	3	–	118,855
Over 5 years	–	–	873	–	873
At end of year	118,852	1,499	905	6,878	128,134

	Borrowings	Derivatives	Trade and Other Payables	Total
	\$'000	\$'000	\$'000	\$'000
<b>Trust</b>				
Less than 1 year	–	883	20,471	21,354
1 – 3 years	–	616	–	616
3 – 5 years	118,852	–	–	118,852
Over 5 years	–	–	–	–
At end of year	118,852	1,499	20,471	140,822

The average credit period taken to settle trade payables is about 30 days. The other payables are with short-term durations.

It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activities are expected to generate sufficient cash inflows.

## 28E. Interest Rate Risk

The following table analyses the breakdown by type of interest rate:

	Group	Trust
	2008	2008
	\$'000	\$'000
Financial assets:		
Fixed rates	62,857	–
Floating rates	24,277	–
Non-interest bearing	80,041	72,186
At end of year	167,175	72,186
Financial liabilities:		
Fixed rates	905	–
Floating rates	118,852	118,852
Non-interest bearing	8,377	21,970
At end of year	128,134	140,822

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 28E. Interest Rate Risk (Cont'd)

Sensitivity analysis:

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
A hypothetical increase in interest rates on bank borrowings by 50 basis points would have an adverse effect on total return before tax of	(529)	(529)
A hypothetical increase in interest rates by bank borrowings by 100 basis points would have an adverse effect on total return before tax of	(1,007)	(1,007)
A hypothetical increase in interest rates on bank borrowings by 150 basis points would have an adverse effect on total return before tax of	(1,484)	(1,484)
A hypothetical increase in interest rates on bank borrowings by 200 basis points would have an adverse effect on total return before tax of	(1,962)	(1,962)

A change of 50 basis points in interest rate received on fixed deposit and bank balances as at 31 December 2008 would increase or decrease the total return before tax by \$435,667.

## 28F. Foreign Currency Risk

Analysis of amounts denominated in non-functional currency:

### Financial assets:

#### Group:

At 31 December 2008:

United States Dollars

Indonesian Rupiah

At 31 December 2008

	<b>Cash and Cash Equivalents</b>	<b>Trade and Other Receivables</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
United States Dollars	33	–	33
Indonesian Rupiah	34,106	7,646	41,752
At 31 December 2008	34,139	7,646	41,785

#### Trust:

At 31 December 2008:

Indonesian Rupiah

Indonesian Rupiah	–	7,656	7,656
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### Financial liabilities:

#### Group:

At 31 December 2008:

Indonesian Rupiah

At 31 December 2008

	<b>Other Financial Liabilities</b>	<b>Trade and Other Payables</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Indonesian Rupiah	905	4,632	5,537
At 31 December 2008	905	4,632	5,537

#### Trust:

At 31 December 2008:

Indonesian Rupiah

Indonesian Rupiah	–	3,017	3,017
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# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 28F. Foreign Currency Risk (Cont'd)

Sensitivity analysis:

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
A hypothetical 10% increase in the exchange rate of the functional currency \$ against all other currencies would have a favourable/(adverse) effect on total return before tax of	(229)	(470)
A hypothetical 10% increase in the exchange rate of the functional currency \$ against the US\$ would have a favourable/(adverse) effect on total return before tax of	(3)	–
A hypothetical 10% increase in the exchange rate of the functional currency \$ against the Indonesian Rupiah would have a favourable/(adverse) effect on total return before tax of	(226)	(470)
A hypothetical 10% increase in the exchange rate of the functional currency \$ against the Indonesian Rupiah would have a favourable/(adverse) effect on currency translation reserve of	(4,034)	–

## 29. Capital Commitments

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

	<b>Group</b>
	<b>2008</b>
	<b>\$'000</b>
Commitments for assets enhancements in retail malls	247

In addition, the Manager has entered into non-binding memorandum of understanding ("MOU") at listing date with 2 third party owners, (i) PT. Multi Pratama Gemilang Perkasa (Pikko Group) for the acquisition of Cosmopolitan Mall Pluit, and (ii) PT. Pakuwon Permai for the acquisition of Supermal Pakuwon Indah and Pakuwon Trade Center.

There has been no progress on these MOUs.

## 30. Operating Lease Income Commitments

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

	<b>Group</b>	<b>Trust</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	39,516	–
Later than one year and not later than five years	116,468	–
More than five years	40,219	–
Rental income for the year	84,411	–

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 30. Operating Lease Income Commitments (Cont'd)

The Group has entered into commercial property leases for retail malls and spaces. The lease rental income terms are negotiated for an average term of five to ten years for anchor tenants and an average of three to five years for speciality tenants. These leases are cancellable with conditions and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed to a certain percentage. Such increases are not included in the above amounts.

On 18 October 2007, each of the Indonesian subsidiaries that are owners of retail spaces ("Retail Spaces Property Companies") (as landlord) and the Master Lessee (as tenant) entered into a Master Lease Agreement, pursuant to which the retail spaces were leased to the master lessee in accordance with the terms and conditions of the Master Lease Agreements. The term of each of the Master Lease Agreements is for 10 years with an option for the Master Lessee to renew for a further term of 10 years based on substantially the same terms and conditions, except for renewal rent. The renewal rent for the further term shall be at the then prevailing market rent, as may be agreed by the relevant landlord and the Master Lessee in good faith. If there is no agreement by the relevant landlord and the Master Lessee on such prevailing market rent, the relevant landlord and the Master Lessee may refer the determination of the prevailing market rent to an independent property valuer or valuers.

## 31. Other Matters

### (i) Strata title of retail space:

At balance sheet date, the Group has not obtained strata title for one of the retail spaces, Grand Palladium Medan Units. The title is being processed by the Indonesian government. This retail space is bound by the Kiosks Sales and Purchase Binding Agreement.

The Trust and the Master Lessee have entered into a put option agreement pursuant to which, in the event that the strata title to this retail space is not issued within 24 months from the listing date 19 November 2007, a meeting of all the unitholders will be convened by the Trust pursuant to which the unitholders will vote, by way of an ordinary resolution, on whether to retain this retail space on the portfolio of the Trust for a further six months from the date of resolution.

In the event that the Trustee exercises the put option, the Master Lessee will be required to purchase the entire issued and paid-up capital of the respective Singapore subsidiaries, which through the Indonesian subsidiary, own this retail space.

### (ii) Right of First Refusal ("ROFR")

On 14 August 2007, an agreement was entered into between the Trustee and the Sponsor pursuant to which the Sponsor granted LMIR Trust, for so long as (a) Lippo-Mapletree Indonesia Retail Trust Management Ltd remains the Manager of LMIR Trust; and (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains a controlling shareholder of the Manager; a right of first refusal (the "ROFR") over any retail properties located in Indonesia (each such property to be known as a "Relevant Asset"): (i) which the Sponsor or any of its subsidiaries (each a "Sponsor Entity") proposes to sell or transfer (whether such Relevant Asset is wholly-owned or partly-owned by the Sponsor Entity and excluding any sale of Relevant Asset by a Sponsor Entity to any related corporation of such Sponsor Entity pursuant to a reconstruction, amalgamation, restructuring, merger or any analogous event) to an unrelated third party; or (ii) for which a proposed offer for sale or transfer of such Relevant Asset has been made to a Sponsor Entity.

At balance sheet date, the scope of the ROFR encompasses five Indonesia properties which are currently under development by the Sponsor and/or its subsidiaries. These properties are namely Binjai Supermall, Pejaten Mall, Kuta Beach Mall, Kemang City Mall and Puri "Paragon City".

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 31. Other Matters (Cont'd)

### (iii) Retail Malls Operating Costs Agreements

Pursuant to each of the Operating Costs Agreements entered into between the relevant Retail Mall Property Companies and Indonesian companies which run the operation of retail malls ("Operating Companies"), the relevant Operating Companies have agreed to unconditionally bear, for a period of three years commencing 1 January 2007, all costs directly related to the maintenance and operating of the relevant retail malls.

In consideration of its agreements under the relevant Operating Costs Agreements, the relevant Operating Companies have the right to collect, through the Property Manager, a service charge and statutory income from the tenants of that retail mall. This service charge is intended to cover the costs directly related to the maintenance and operation of the retail mall. The amount of the service charge recommended by the Property Manager is in accordance with the prevailing market rates. The statutory income is intended to cover the costs directly related to the provision of utilities to the retail mall.

The right to collect the service charge and statutory income is in accordance with the lease agreements entered into by and between the Retail Mall Property Companies and the respective tenants of the retail mall and such collection is coordinated by the Property Manager.

The Operating Costs Agreements will lapse on 31 December 2009 and LMIR Trust will bear all costs directly related to the maintenance and operation of the retail malls thereafter. LMIR Trust will have the right to collect service charge from the respective tenants of the retail malls.

### (iv) Build Operate and Transfer ("BOT") Agreements

#### Plaza Semanggi

An Indonesian Retail Mall Property Company, PT Primatama Nusa Indah ("PT Primatama") entered into a BOT agreement with Yayasan Gedung Veteran Republik Indonesia ("Yayasan Veteran"). PT Primatama has the right to build operate and transfer the property for a period of 30 years commencing July 2004. The BOT agreement can be extended automatically for another 20 years under the same terms and conditions of the current lease with at least 6 months prior written notice, and to such notice, Yayasan Veteran automatically grants its approval for the extension.

PT Primatama shall pay to Yayasan Veteran annually 5% of its gross income from the lease of premises and parking spaces (excluding taxes) of each year, commencing from the date of commencement of operations to the 15th year.

From the 16th year, PT Primatama shall pay Yayasan Veteran 10% of its gross income from the lease of premises and parking spaces (excluding taxes) for each year.

#### Bandung Indah Plaza

An Indonesia Retail Mall Property Company, PT Megah Semesta Abadi ("PT Megah") entered into a BOT agreement with Perusahaan Daerah (PD) Jasa dan Kepariwisata Jawa Barat (previously known as PD Kerta Wisata Jawa Barat) ("PDJK"). PT Megah has been granted the right to build operate and transfer the property up to 31 December 2030. If PDJK does not intend to manage the building and facilities, PDJK will give first option to PT Megah to become a partner of PDJK under a new agreement. PDJK must notify the PT Megah on whether or not it has the intention to operate the building and facilities. This notification must be provided at least 6 months prior to expiration of the BOT agreement. BOT agreement cannot be assigned without prior approval.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 31. Other Matters (Cont'd)

### (iv) Build Operate and Transfer ("BOT") Agreements (Cont'd)

PT Megah has the following obligations to PDJK:

- a) Revenue sharing for shopping centre I for the period from 19 August 1992 to 31 December 2030 at 2% of the rental income of shops and retail per year and shall increase at 0.25% every 4 years. The increase commenced on May 2008;
  - b) Revenue sharing for shopping centre II for the period 1 May 1994 to 31 December 2030 at 2% of rental income of shops and retail per year and shall increase at 0.25% every 4 years. The increase commenced on May 2008;
  - c) 5% of net operational profits, commenced on August 1995;
  - d) 5% of net income from rental of open areas, promotional spaces and corridors commenced on August 2005;
  - e) Profit sharing with respect to parking spaces from August 2005 at 40% of parking net income after deducting contribution to Parking Management Institution (Badan Pengelola Perparkiran – "BPP") and other expenses, VAT of 10%, interest expense, depreciation of parking facility, with maximum threshold of the expenses is 76% of rental income, provided that if the VAT no longer prevails or the government changes the figure of the VAT then the percentage of expenses will be mutually agreed by both parties;
  - f) Both PT Megah and PDJK will share the net rental revenue of the cinema up to August 2020 based on 50% ratio each. Profit share after 2020 will be determined later;
  - g) The revenue sharing for commercial space is at 2% of the rental income of commercial space per year and shall increase 0.25% every 4 years. The increase commenced on May 2008.
- (v) Extension of conditions precedents for Bank Loan:

As at year end, the trust has not obtained the BOT consent letters for two of their retail malls, which is a condition precedent under the bank loan (Note 22A). The manager is currently in discussion with the lending bank to extend the period in obtaining these BOT consent letters to 31 December 2009. This restructuring of the bank loan may result in a reduction of the loan tenure by one year and restructuring fee of around \$1.5 million in return for an extension on the delivery of the two underlying BOT consents by 31 December 2009. No other borrowings have been incurred since 31 December 2008. The manager expects that the relevant consents will be obtained by 31 December 2009.

### (vi) Reconciliation of results between unaudited 4th quarter announcement and financial statements:

The group announced on 3 February 2009 unaudited loss after tax for the year ended 31 December 2008 of \$13,155,000. The audited return after tax for the year ended 31 December 2008 amounted to \$168,129,000. The difference relates to exchange differences arising from translating the total aggregate market value of investment properties denominated in Indonesian Rupiah to Singapore Dollars. The exchange difference was initially recognised in the statements of total return. The accounts affected are summarised below:

Group	4th Quarter Announcement	Audited	Difference
	\$'000	\$'000	\$'000
Currency Translation Reserve	12,474	(160,108)	(172,582)
(Decrease)/Increase in Fair Value of investment properties	(99,768)	72,814	172,582
Deferred tax liabilities	30,680	21,978	(8,702)
Deferred tax expense	(30,680)	(21,978)	8,702

The above adjustment does not affect the Total Distribution to unitholders for the year ended 31 December 2008 which amounted to \$59,492,000.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2008

## 32. Events After the End of the Reporting Year

On 3 February 2009, a final distribution of 0.30 cents per unit was declared totalling \$3,226,000, in respect of the quarter ended 31 December 2008.

On 10 February 2009, 1,566,532 new units were issued at the issue price of 31.55 cents per unit as payment to the Manager for management fee for the quarter ended 31 December 2008. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.

## 33. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates are not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	(Revised) Presentation of Financial Statements	1.1.2009
FRS 23	Borrowing Costs	1.1.2009
FRS 103	(Revised) Business Combinations and consecutive amendments in other Standards (*)	1.1.2009
FRS 108	Operating Segments	1.1.2009
FRS 39/FRS 107	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets	1.7.2008
INT FRS 113	Customer Loyalty Programs (*)	1.7.2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1.10.2009
INT FRS 117	Distribution of Non-Cash Assets to Owners (*)	1.7.2009

(\*) Not relevant to the entity.

## 34. Comparative Figures

The financial statements cover the financial year since the Trust was constituted on 8 August 2007 to 31 December 2008. This being the first set of financial statements, there are no comparative figures.

# STATISTICS OF UNITHOLDINGS

As at 2 March 2009

## Issued and Fully Paid-up Units

There are 1,067,525,766 units (voting rights: one vote per Unit) outstanding as at 2 March 2009. There is only one class of units in LMIR Trust.

Market Capitalisation SGD 202,829,895.54 (based on closing unit price of \$ 0.19 on 2 March 2009)

## Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	1	0.03	1	0.00
1,000 – 10,000	2,225	64.40	10,363,265	0.97
10,001 – 1,000,000	1,210	35.02	78,833,000	7.39
1,000,001 and Above	19	0.55	978,329,500	91.64
<b>TOTAL</b>	<b>3,455</b>	<b>100.00</b>	<b>1,067,525,766</b>	<b>100.00</b>

## Twenty Largest Unitholders

Name	No. of Units	%
1 CITIBANK NOMINEES SINGAPORE PTE LTD	293,654,394	27.51
2 RAFFLES NOMINEES PTE LTD	145,590,900	13.64
3 MAPLETREE LM PTE LTD	127,250,000	11.92
4 HSBC (SINGAPORE) NOMINEES PTE LTD	122,401,000	11.47
5 OCBC SECURITIES PRIVATE LTD	98,538,500	9.23
6 DBS NOMINEES PTE LTD	96,502,621	9.04
7 UOB KAY HIAN PTE LTD	52,343,319	4.90
8 UNITED OVERSEAS BANK NOMINEES PTE LTD	14,880,000	1.39
9 LIPPO-MAPLETREE INDONESIA RETAIL TRUST MANAGEMENT LTD	7,111,766	0.67
10 DBSN SERVICES PTE LTD	3,427,000	0.32
11 DBS VICKERS SECURITIES (S) PTE LTD	3,379,000	0.32
12 PHILLIP SECURITIES PTE LTD	2,369,000	0.22
13 ROYAL BANK OF CANADA (ASIA) LTD	2,181,000	0.20
14 SUPERBOWL HOLDINGS LIMITED	2,000,000	0.19
15 SNG KAY BOON TERENCE	1,811,000	0.17
16 BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,504,000	0.14
17 PILLAI ROSIE	1,250,000	0.12
18 OCBC NOMINEES SINGAPORE PTE LTD	1,086,000	0.10
19 LIM TSE GHOW OLIVIER	1,050,000	0.10
20 OVERSEA CHINESE BANK NOMINEES PTE LTD	1,000,000	0.09
<b>TOTAL</b>	<b>979,329,500</b>	<b>91.74</b>

# STATISTICS OF UNITHOLDINGS (cont'd)

As at 2 March 2009

## Manager's Directors' Unitholdings

As shown in the Register of Directors' Unitholdings as at 21 January 2009

Name of directors	Number of units	
	Direct interest	Deemed interest
1. Tan Bar Tien	300,000	–
2. Lim Ho Seng	300,000	–
3. Lok Vi Ming	500,000	–
4. Viven G. Sitiabudi	–	–
5. Yeo Cheow Tong	500,000	–
6. Tan Boon Leong	–	–
7. Wong Mun Hoong	–	–

## Substantial Unitholders

As shown in the Register of Substantial Unitholders as at 2 March 2009

	Number of Units			
	Direct Interest	%	Deemed Interest	%
Sumitomo Mitsui Asset Management Company, Limited	53,746,000	5.03	–	–
Sumitomo Life Insurance Company	–	–	53,746,000 <sup>1</sup>	5.03
Sumitomo Mitsui Banking Corporation	–	–	53,746,000 <sup>1</sup>	5.03
Sumitomo Mitsui Financial Group, Inc	–	–	53,746,000 <sup>1</sup>	5.03
Lippo Strategic Holdings Inc	237,306,000	22.23	–	–
Lippo Holdings Inc	–	–	237,306,000 <sup>2</sup>	22.23
Lippo Capital Limited	–	–	237,306,000 <sup>2</sup>	22.23
Lippo Cayman Limited	–	–	237,306,000 <sup>2</sup>	22.23
Lanius Ltd	–	–	237,306,000 <sup>2</sup>	22.23
Mapletree LM Pte Ltd	127,250,000	11.92	–	–
Mapletree Dextra Pte Ltd	–	–	127,250,000 <sup>3</sup>	11.92
Mapletree Investments Pte Ltd	–	–	127,250,000 <sup>3</sup>	11.92
Fullerton Management Pte Ltd	–	–	127,250,000 <sup>3</sup>	11.92
Temasek Holdings (Private) Limited	–	–	136,250,000 <sup>4</sup>	12.76
ABN AMRO Asset Management (Asia) Limited	69,038,000 <sup>5</sup>	6.47	–	–
Penta Investment Advisors Limited	139,100,000 <sup>6</sup>	13.03	–	–
CPI Capital Partners Asia Pacific L.P.	90,625,000	8.48	–	–

# STATISTICS OF UNITHOLDINGS (cont'd)

As at 2 March 2009

## Explanatory Notes:

1. Sumitomo Life Insurance Company, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group, Inc are deemed to be interested in the units held by Sumitomo Mitsui Asset Management Company, Limited due to their direct or indirect (as the case may be) interests in Sumitomo Mitsui Asset Management Company, Limited.
2. Lippo Holdings Inc, Lippo Capital Limited, Lippo Cayman Limited and Lanius Ltd are deemed to be interested in the units held by Lippo Strategic Holdings Inc due to their direct or indirect (as the case may be) interests in Lippo Strategic Holdings Inc.
3. Mapletree Dextra Pte Ltd, Mapletree Investments Pte Ltd and Fullerton Management Pte Ltd are deemed to be interested in the units held by Mapletree LM Pte Ltd ("Mapletree LM") due to their direct or indirect (as the case may be) interests in Mapletree LM.
4. Temasek Holdings (Private) Limited is deemed to be interested in 136,250,000 units of which:
  - (a) 127,250,000 units held by Mapletree LM (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited)
  - (b) 9,000,000 units held by DBS Nominees (Private) Limited on behalf of DBS Asset Management Ltd ("DBSAM") discretionary fund management clients or trustees of funds for which DBSAM is the investment manager. DBSAM is an indirect wholly-owned subsidiary of DBS Group Holdings Ltd which in turn is an associated company of Temasek Holdings (Private) Limited.
5. Holding in the capacity as manager of various accounts.
6. Penta Investment Advisors Limited is holding the units on behalf of the following entities:

	No. of Units Held
Altma Fund Sicav Plc	142,000
IBRD-Retired Staff Benefits Plan	681,000
IBRD-Staff Retirement Plan	8,137,000
Investcorp Long-Short Asia Fund Ltd	3,458,000
Penta Asia Long Short Fund Ltd	34,739,000
Penta Asia Long Short Fund Ltd – ©	5,419,000
Penta Asia MAC 91 Ltd	404,000
Penta Asia Domestic Partners LP	26,166,000
Penta Asia Domestic Partners LP – ©	3,647,000
Penta Master Fund Ltd	48,325,000
Penta Master Fund Ltd – ©	7,982,000

## Free Float

Based on information made available to the Manager as at 2 March 2009, approximately 65.03% of the Units in LMIR Trust are held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied.

# RELATED PARTY TRANSACTIONS

The transactions entered into with related parties during the financial year, which fall under the Listing Manual and the CIS Code, are as follows:

Name of Related Party	Aggregate value of all related party transactions during the financial year under review S\$'000
Lippo Karawaci Tbk and its subsidiaries or associates	
Management fees <sup>1</sup>	6,988
Property Management fees	3,795
Acquisition fee paid in relation to purchase of investment properties	1,467
Rental revenue	14,624
Rental guarantee revenue	4,583
HSBC Institutional Trust Services (Singapore) Limited	
Trustee fee	287

1 For the purposes of Clause 907 of the Listing Manual of the SGX-ST, in arriving at this figure, the market price of the LMIR Trust Units (being the closing price of the Units traded on the SGX-ST on the relevant date of issue of the Units) issued to the Manager for the performance component of its management fees, was used to determine the amount of the aggregate asset management fees paid to the Manager for the period from 19 November 2007 to 31 December 2008. A total of 7,111,766 LMIR Trust Units amounting to an aggregate of \$3,531,886 have been or will be issued to the Manager as payment of the performance component of the asset management fees (as computed pursuant to the Trust Deed) for the period from 19 November 2007 to 31 December 2008. In respect of the period from 19 November 2007 to 31 March 2008, a total of 1,853,524 Units, comprising 509,191 and 1,344,333 LMIR Trust Units at issue prices of \$0.6521\* and \$0.5749\* per Unit respectively, were issued on 6 May 2008 to the Manager. The market price at the date of issue was 55 cents per Unit and the aggregate market value of these Units was S\$1,508,650 based on this market price. In respect of the period from 1 April 2008 to 30 June 2008, a total of 1,725,663 LMIR Trust Units at issue prices of \$0.5393\* per Unit respectively, were issued on 1 August 2008 to the Manager. The market price at the date of issue was 60 cents per Unit and the aggregate market value of these Units was S\$309,000 based on this market price. In respect of the period from 1 July 2008 to 30 September 2008, a total of 1,966,047 LMIR Trust Units at issue price of \$0.5097\* per Unit, were issued on 4 November 2008 to the Manager. The market price at the date of issue was 30 cents per Unit and the aggregate market value of these Units was S\$488,400 based on this market price. In respect of the period from 1 October 2008 to 31 December 2008, a total of 1,566,532 LMIR Trust Units at issue price of \$0.3155\* per Unit, were issued on 10 February 2009 to the Manager. The market price at the date of issue was 20 cents per Unit and the aggregate market value of these Units was S\$141,000 based on this market price.

\* Based on the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the last ten business days of the relevant period in which the management fee accrues.

Please also see Significant Related Party Transactions on note 3 in the financial statements.

## Subscription of LMIR Trust Units

For the financial year ended 31 December 2008, an aggregate of 1,065,959,234 units were issued and subscribed for. On 10 February 2009, 1,566,532 LMIR Trust units were issued to the Manager as payment of the performance component of its asset management fees for the fourth quarter of 2008.

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